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INSIDE THE ISSUE

Source

Insurance Industry

Irda may allow banks sell products from multiple insurers - The Indian Express

Despite the Reserve Bank of India's apprehensions, insurance regulator Irda is set to issue guidelines allowing banks to sell products of many insurance companies as against those of only one life and one non-life insurer at present. These guidelines will, however, come with some stringent provisions against mis-selling of such products by banks.

The final decision on the revised norms on bancassurance — or banks selling insurance products — is likely to be taken at the Irda board meeting slated to held on June 28, finance ministry sources said. The guidelines will bring into effect this year's Budget proposal to permit banks to act as insurance brokers.

IRDA Regulation

Mandatory opening of offices in rural areas will hurt insurers: IRDA - The Hindu Business Line

The provision of mandatory opening up of offices in towns and cities for state-owned public insurers will act as a strain on them, said a top official from the life insurance industry.

In the union budget Finance Minister asked the state-owned insurance companies including Life Insurance Corporation to open offices in towns with population with over 10, 000.

While addressing a seminar on insurance in Mumbai, said S B Mathur, part-time member, Insurance Regulatory and Development Authority, "While there has been a 7 per cent decline in new premium collection, there has been a 7 per cent increase in the expenses of life insurers to adjust to changes in the regulatory regime."

"In this scenario, the mandatory opening up offices will add to the expenses and act as a strain to the industry.

According to Mathur, the new lenghty and detailed standard proposal form for sale of life insurance policies will remain a challenge as it is suitable for complex products sold to high net worth individuals while the average premium per person annually is under Rs 13, 000 per annum for the industry.

Mathur said the new product guidelines by the regulator under which life insurers will have to refile and redesign their group products by July and individual products by October this year. This will impact 85 per cent of the products currently sold by insurers and will significantly affect sales of life insurers in FY'14.

Irda introduces new category for minimum death benefit - Business Standard

The Insurance Regulatory and Development Authority (Irda) has introduced a new category for the payment of minimum death benefit, under non-linked product regulations. In a circular issued today, the regulator said for non-single premium products with terms of five to 10 years, there would be a minimum death benefit, different from other plans.

For non-participating products, it would either be five times the annualised premium or 105 per cent of all premiums paid on the date of death or the least guaranteed sum assured on maturity or any absolute amount assured to be paid on death, whichever was the highest. For participating products, it would either be five times the annualised premium or any absolute amount assured to be paid on death or the least guaranteed sum assured on maturity, whichever was the highest.

Earlier, Irda had proposed two categories for death benefits—single products and non-single products. Now, apart from single products, there are two other categories—non-single products with a term of five to 10 years and those with terms of 10 years or more.

For those aged 45 years or more, it would be seven times the annualised premium or 105 per cent of all premiums paid on the date of death or the least guaranteed sum assured on maturity or any absolute amount assured to be paid on death, whichever is the highest.

Through its circular, Irda has mandated the least death benefit for all individual pension products should not be less than 105 per cent of all premiums paid on the date of death. While the minimum policy paying term for most products has been fixed at five years, that for single premium group term insurance and single premium group credit insurance has been fixed at two years.

Irda's previous regulation said advance premium could be accepted only 30 days before the due date. Now, the regulator has said advance premium can be collected any time before the due date, provided it is in the same financial year.

Irda has also increased the ceiling for the highest commission permissible under single premium group term insurance and single premium group credit insurance from Rs 50,000 a scheme to Rs 2,00,000 a scheme. Single premium products are those for which premium is paid as a lump sum; for non-single premium products, premiums are paid at regular intervals. While sales of retail single premium products have fallen sharply, group single premium products continue to see a rise in sales.

In the case of linked product regulations, Irda clarified when in the event of a death due to suicide within 12 months from the date of inception or revival of the policy, any charges recovered after the date of death would be paid back to the nominee, along with the death benefit. The current least guaranteed interest rate for discontinued fund/discontinued policy account is four per cent a year. Irda had said this was subject to change.

The regulator has said for products approved under the February 2013 traditional product regulations, a certificate of compliance would have to be submitted to Irda, provided there was no change in benefits, premiums or charges levied. It is implied if there are changes in benefits, premiums or charges, such products may have to be re-filed. These clarifications have been implemented with immediate effect.

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Health Insurance

Group health insurance: Deadline extended for employing new norms - The Hindu Business Line

The Insurance Regulatory and Development Authority (IRDA) has extended the deadline for implementing new norms for group products in health insurance till September 30 this year.
As per a notification issued in February this year, the insurers were supposed to withdraw all the existing group products in health insurance by June 30, 2013. They should not be sold from July 1, 2013 onwards.

Similarly, from October 1, individual health insurance plans which do not conform to the new norms should not be sold.

However, the deadline for groups plans has now been extended till October in view of difficulties expressed by insurers with regard to the time-frame keeping in view the interests of the policyholders, T. S. Vijayan, Chairman, IRDA, said in a circular issued on Thursday.

There was, however, no change in the deadline deferment for individual products, he added.

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General Insurance

No catastrophe insurance cover yet - Business Standard

In the wake of the natural disaster in Uttarakhand, the proposal for 'catastrophe insurance' is in spotlight. Early this year, non-life insurance companies had presented a concept paper on catastrophe insurance to the National Disaster Management Authority (NDMA). The concept paper highlights the need for a pool mechanism to deal with losses from catastrophic events. In the absence of such a pool, both insurers and reinsurers have to bear the cost, leading to a big hit on their profitability.

For non-single products with a term of 10 years or more, the minimum death benefit would either be ten times the annualised premium or 105 per cent of all premiums paid on the date of death or the least guaranteed sum assured on maturity or any absolute amount assured to be paid on death (for non-par products for those below 45 years), whichever is the highest.

However, it is still stuck as a concept because there has been no consensus between the insurers and NDMA on who would fund the process and how the pool will function.

Officials from the general insurance sector said that while they had presented their case to the finance minister, a formal decision is yet to be taken.

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Survey & Reports

Insurance sector to grow less than 5% in FY14: CII survey - Business Standard

The Indian insurance sector is projected to grow at less than five per cent this financial year, according to a survey by the Confederation of Indian Industry (CII).

Non-life insurers were more optimistic about growth, compared with life insurers, said the survey.

Nearly 60 per cent of non-life insurance companies projected an average growth of more than 10 per cent, whereas 50 per cent of surveyed life insurers expected to see negative growth in the current financial year. "While the Indian insurance industry is acknowledged globally to have matured tremendously since the opening of the sector in 2001, a facilitative and enabling regulatory and policy environment is critical to ensure insurance companies in India enter the next stage of growth and evolution on the foundation of greater insurance density and penetration," saidChandrajit Banerjee, director-general, CII.

The life insurance segment has seen contraction in new premium collection for 2012-13, while the non-life sector has seen a higher growth in total premiums in the year, compared with FY12. The survey assessed the outlook of the insurance sector in India while focusing on the impact of regulatory and policy environment in increasing insurance density and penetration and on the business outlook of insurance companies. **(**STUNTED GROWTH FOR INSURANCE SECTOR**)**

Among the key factors envisaged to help strengthen insurance density and penetration, the sector has ranked open architecture of distribution channels as the most important measure, followed by a removal of caps on the acquisition cost of business and enhancing customer education and financial literacy.

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1 in 3 insurance companies feel ill-prepared to face emerging trends – The Times of India

One in three insurance companies across the globe feel they are inadequately prepared to face emerging trends like impact of social media, role of advanced technology and challenges around talent attrition and retention, says a survey.

According to a survey by Towers Watson, a global professional services company, 29 per cent of insurance companies are less equipped to manage the impact of social media, while 32 per cent of respondents believe they are inadequately prepared to handle the role of advanced technology such as 'big data'.

Meanwhile, 33 per cent of insurance companies think they are ill-prepared to handle workforce challenges around talent attraction and retention.

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Health insurance surge to put India in top 10 pharma markets – Mint

India's drugs and pharmaceuticals market is poised to become one of the top 10 in the world in value with total sales doubling to $26 billion by 2016, driven by an expected surge in health insurance, according to the latest market prognosis report by drug market researcher IMS Health.

Some experts said the prospects for a twofold sales jump in three years time appears to be unrealistic, pegging growth a more conservative 13-14% annual growth. IMS is pinning its hopes on what it sees as an across-the-board expansion.

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Insurers must optimize data: State Street – Reactionsnet.com

Insurers need to address how to maximize their investment in technology and find better ways to mitigate risk, a State Street Corporation survey shows. Specifically, insurers want to optimize data and analytics to make better investment and risk management decisions.

"Like many large, global institutions, insurers are starting to shift their technology focus from big data to smart data," said Joseph Antonellis, vice-chairman of State Street.

"The nature of what insurers do provides a wealth of data, but it is clearly a struggle to harness that data to capture meaningful, actionable insights." After surveying 300 insurance executives globally State Street reported 75% of respondents said that using data more effectively across their organisation is a challenge for them, with 22% citing it as a "major challenge".

For investment portfolios, 84% said they have access to portfolio investment data that is accurate but only two-thirds believe they have access to data that allow them to understand their total risk exposure. Big investments in IT systems will be evaluated by 37% of respondents within the next 12 months. The industry is also being pushed to use technology to find smarter ways to mitigate risk while still generating returns as they face the difficult market backdrop, low interest rates, sluggish economic growth with increased regulatory scrutiny.

Increased interest demand for solutions, including performance, analytics and compliance, in addition to its core investment accounting platform has been reported by State Street. "Technology is a vital enabler for insurers as they look to deliver on future opportunities," said Antonellis. "However, disparate legacy systems will make various data and systems difficult to consolidate and analyze.

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"A systematic and fresh approach to updating and properly leveraging these systems will be a key driver for this industry in the future," he added.

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Analysis

LatAm's widely differing regulations – Reactionsnet.com

Latin America's share of the global insurance market has doubled in the past decade, according to a recent report from rating agency AM Best. In 2012, the region's insurance market represented 3% of the global market, double the 1.5% in 2002.

Latin America's Latin America's economic growth and low insurance penetration is providing plenty of opportunity for insurers and reinsurers to grow, but they must deal with a wide range of different regulatory regimes in the region, according to the report called Latin America Insurance Regulators Evolve with Growing, Changing Markets.

The rate of economic growth in the region has fallen in recent years, however. Latin America's economic growth slumped to 1.8% in 2012, down from 4.0% in 2011 and 5.7% in 2011. Brazil's GDP grew 0.9% in 2012, while other South American countries had growth ranging from Argentina's 1.9% to Peru's 6.3%, excluding Paraguay, where GDP fell. In Central America projected growth rates range between El Salvador's 1.6% and Panama's 10.7%.

The economic growth has reduced poverty in the region. According to the World Bank, the number of people living on less than $4 a day fell from 243m in 2002 to 179m in 2008, equivalent to about 30% of the total population.

In 2012, the region represented about 8.5% of world GDP, up from 5.2% in 2002.

Against this backdrop, Latin America's insurance and reinsurance markets are also growing, attracting great interest from international insurance and reinsurance eager for growth opportunities. Insurance penetration in Latin America remains low. Panama had the highest overall insurance penetration in 2011 with 2.87%. Bolivia and Guatemala had the joint lowest with 0.97%.

"The anticipated growth in Latin America's economies, however, is expected to increase the amount of insurance and reinsurance business, as well as the proportion of the population insured," said AM Best.Brazil accounted for 46% of Latin America's premium in 2012, with Mexico accounting for 17%, and Venezuela, Argentina, Chile and Colombia rounding out the top six. These six represented 93% of the region's total 2012 premium.

AM Best says there is ample capacity in Latin America's insurance industry, with the primary impediment to increased coverage being constraints on pricing relative to the risk. The rating agency says insurers have been attracted to the region by the lack of large catastrophes. The largest natural catastrophe event to hit Latin America in recent years was the Chilean earthquake in 2010, which caused $8.5bn of insured losses and $30bn of economic losses.

The region provides attractive diversification and growth for European and North American companies. But insurers writing business in Latin America also face a number of infrastructure weaknesses, including lax building and road safety standard, poor disaster preparedness, cumbersome legal systems and a lack of data about the risks. Corruption and other criminal activities can also affect losses.

"Despite the challenges, companies have shown a commitment to the region, and some have declared aggressive growth strategies," noted AM Best. For example, Ace expects to double its premiums in the region over the next five years from the $1.2bn it reported in 2012, which accounted for 7% of its total premiums.

Source

"Companies with a global strategy and the capital to expand their business will benefit from the growth in the Latin American market," said AM Best.

The rating agency says reinsurance capacity is widely available because global reinsurers continue to be attracted to Latin America to diversify their portfolios and be involved in the early stage of a growth market. "Pricing has not been particularly strong, but considerable opportunities are seen," the report notes.

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IRDA Circular

Source

IRDA Vide Ref No IRDA/ACT/CIR/PRD/119/06/2013-14 has issued the Clarifications on IRDA (Non-linked insurance Products) Regulations, 2013 and IRDA (Linked Insurance Products) Regulations, 2013 to all CEOs of life insurance companies

Source

IRDA uploaded the gross premium underwritten for and upto the month of May, 2013 for non life insurers

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Global News

China: Bancassurance sales take off for bank-owned insurers – Asia Insurance Review

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Bancassurance sales for six of seven bank-owned insurers soared higher than the industry's 21.6% average growth rate for the first five months of the year, say various media reports. Sales for non-bank-controlled insurers, on the other hand, slid by an average of 20% from January to May.

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Foreign reinsurers' concerns grow in Brazil – Reactionsnet.com

Brazil's non-life market is the biggest in Latin America and the 12th biggest in the world, according to Axco data. It accounts for more than 40% of the region's non-life premium. According to the insurance regulator Superintendencia de Seguros Privados (Susep), life insurance accounted for 63% of Brazil's insurance premium in 2012 and non-life 37%.

Susep listed 116 active insurance companies at the end of 2012, with the top four accounting for 29% of total premiums. The top 10 insurers generated 56% of 2012 premium.

Brazil had 103 registered reinsurance companies and 233 reinsurance brokers in 2012.

When the reinsurance market opened in 2008 three categories of reinsurers were established: local reinsurers, admitted reinsurers and occasional reinsurers.

As a result of losing its monopoly, IRB's market share has plummeted to about 31% in 2012 from 100% before liberalization, according to AM Best.

At the end of 2010 Conselho National de Seguros Privados (CNSP), which sets insurance policies and guidelines, enacted two resolutions to prohibit Brazilian insurers from buying reinsurance abroad from companies belonging to the same conglomerates and stipulating that 40% of all reinsured risks must be ceded to local reinsurers.

"These changes had significant consequences for the local market," said AM Best. "Critics have concerns that the measures were aimed at protecting IRB's interests because it had a significant drop in market share. These new measures drove the main players in the market (mainly foreign reinsurers) to bring their concerns to the national government and local authorities."

The authorities responded with Resolution 232 in 2011, which states that cross-border, intra-group deals would again be permitted. The law limits risk transfers from local insurers and reinsurers to foreign companies in the same financial group to 20% of each contract's premium. The 40% cession to local reinsurers was kept in place.

The regulatory changes of the past four years have increased the number of domestic reinsurers. In 2011, four new local reinsurers were approved, pushing the total number to 10, with at least three more going through the approval process.

"Brazil's insurance market has shown consistent growth for several years," said AM Best. "The number of insurers is expected to increase, given Brazil's position in the Latin America market and the continued advancement of the middle class. Educating this growing group of consumers to the benefits of insurance could aid in driving premium growth. For example, the worst natural disaster on record in Brazil occurred on January 11-12 2011, as severe floods and mudslides in Rio de Janeiro's mountainous region killed more than 900 people. Because low income sections were most affected, insured losses were estimated to have been a mere $50m, compared with economic losses of $1.2bn."

Brazil's government announced in 2011 that it expects public and private sector investments of more than $120bn by 2020 to expand infrastructure in the Amazon region, including dams, electricity transmission, mines, high-speed railways and industrial farms. This expansion is also expected to drive investments for dam projects, roads, and oil and gas development in neighbouring countries such as Columbia, Ecuador, Bolivia and Peru, driving demand for insurance in these countries also.

Infrastructure projects related to the 2014 Fifa World Cup and 2016 Olympics are expected to inject more than $50bn into Brazil's economy by 2027 and add 120,000 jobs per year until 2016. "There is no doubt that Brazil's economy will benefit from these upcoming events and improved infrastructure; the question some raise is the sustainability once the events end in 2016," said AM Best.

Source