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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"Perfection is not attainable, but if we chase perfection we can catch excellence"

Vince Lombardi

INSIDE THE ISSUE

Insurance Industry

Global insurers eye GIFT City as insurance hub - The Pioneer – 14th May 2015

After relaxing insurance norms for foreign investors by the Government to draw huge fund flow to support the country's economy, global insurers are eyeing Ahmedabad-based GIFT (Gujarat International Finance Tec) City as an insurance hub. As many as 12 global insurance firms have initiated their process to set up units in GIFT City to mark their presence in order to boost the insurance business.

GIFT City is a dream project of Prime Minister Narendra Modi. The Government expects huge employment opportunity for more than 10 lakh people when the project will be fully operational. Keeping this development in view, sources, however, said that Mumbai-based large insurance broking firm has decided to set up a global skill knowledge centre to provide talents to such insurance firms there. The Government recently cleared the proposal to ease foreign direct investment (FDI) limit in the domestic insurance sector to 49 per cent from 26 per cent, signalling the Government's move to bring in huge capital and investment into the country's economy.

Confirming the development, Dipesh Shah, Vice President (Business Development), GIFT City told The Pioneer, "After April 10, when the Government eased the insurance norms for overseas insurance companies, many global players have taken interest to set up units here. Almost 10-12 international insurers have initiated their process with the Government to do business in this place."

When asked about any particular insurance firm(s), he said, "At this moment, I cannot reveal their names as they are in talks with the Government for the move and they are yet to reach at a final agreement with the Government and regulator." With lukewarm response in premium growth, the life insurance business in the sector is reported to be as dull as other any other financial sector. For, insurers, banks, and other financial institutions within the country are making beelines to kick off their operations in GIFT City of Gujarat.

On business aspects, Shah added, "Earlier, we did not have dollar transaction in the insurance sector, but after the operation of international insurers here, we will be able to transact in dollar terms which will boost a lot of employment." Keeping insurers' move in the GIFT City, a Mumbai-based insurance broking firm, Global Insurance Group - the country's largest insurance broking company - has decided to set up a Global Skill Knowledge Centre (GSKC) in the locality, where the centre will provide the best talents to national and international insurance firms.

The broking firm will invest around Rs 150 crore in the GIFT City for setting up of GSKC and it will focus only on banking, financial services and insurance (BFSI) courses. "We have already acquired 2lakh sq ft land from the Gujarat Government and initiated the process of setting up our unit there. We intend to invest around Rs 150 crore in this project. We are hopeful that we can provide the insurance firms a good number of talents for their prospective business," said Prabodh Thakker, Founder Chairman of Global Insurance Group.

Most of the state-owned banks have already made commitment for their investment plans in GIFT City, which includes State Bank of India's plan to invest Rs 150 crore there. "SBI may shift its zonal head office in Ahmedabad to GIFT City. Public sector ender Bank of India is also seriously looking at having its presence there", a bank official said.

As far as insurance companies are concerned, state-owned non-life insurer New India Assurance is planning to start certain operations there too. However, insurance firms believe that there are opportunities as this will enable it to leverage its balance sheet to provide cover to global insurance companies without running any currency risk.

"The advantage of setting up a reinsurance office in an international finance centre is that the money raised by way of premium can be retained in foreign currency accounts, which eliminates currency risks when claims are paid," New India Assurance Chairman and Managing Director G Srinivasan said. "We are also looking at kicking off certain operation at GIFT so as to provide reinsurance support to the companies there," Srinivasan said, adding that he said that a model similar to the already existing model in countries like Malaysia and Singapore will be developed at GIFT.

Source

Back

Banks rush to enrol customers for new insurance schemes - The Hindu Business Line – 13th May 2015

Banks are rushing to get their customers enrolled into new insurance/pension schemes launched by the Government. Prime Minister Narendra Modi recently had launched two low cost insurance schemes, Jeevan Jyoto Bheema and Jeevan Suraksha Bheema, besides the Atal Pension Yojana. The banks are to be the main drivers of enrolments in view of the huge customer base. In a trial run, banks could enrol over five crore people, and they are now going all out to reach out to them. Customers of different banks, including private banks, are already receiving messages requesting them to opt for the schemes and authorise banks to deduct the first year premium from their respective accounts.

"Even before launching the scheme, everyone our branch has sensitised customers. We have sent SMSes to our customers on Sunday," CR Sasikumar, Deputy Managing Director, State Bank of India (SBI) told Business Line here. In addition, SBI has gone on camp mode in most of the places for mobilising higher subscriptions. "These are very good schemes from the social security point of view and an all-out effort has to be made," he added.

Other banks including private banks such as ICICI Bank are doing the same. "Besides sending messages on mobiles, we have asked our branches to run special campaigns on every Saturday and Sunday," Durga Prasad, General Manager (Financial Inclusion and SLBC) said. The State Level Bankers' Committees in all States are specially monitoring the progress.

Zero balance accounts

While all this mounts additional pressure on banks, they see advantages too. The insurance schemes, especially accident insurance, will drive people who opened zero–balance accounts under the Prime Minister's Jan Dhan Yojana (PMJDY) to deposit cash in their accounts as the premium needs to be deducted from the account. "Over a period of time, we see a possibility of these accounts maintaining some minimal balance and undertake some transactions too due to the new insurance schemes," an SBI executive said. There are about 13 crore accounts opened under the PMJDY out of which approximately 70 per cent have zero balance and no transactions.

Operationally, some bankers feel that it will be relatively easier to get subscriptions for insurance and customers might not rush to go for the Atal pension scheme. "Initially, we have been asked to focus more on the insurance schemes but later we have been told that all three are important. We have to see how this goes," said a senior official in IDBI Bank.

Source

Back

Insurance firms cause govt Rs 352-cr loss: CAG - Business Standard – 9th May 2015

The Comptroller and Auditor General (CAG) has flagged certain compliance-related issues and ambiguity in various rules governing the insurance sector, which has caused a loss of Rs 352.55 crore to the exchequer from 2010-11 to 2012-13.

CAG has made these observations on the basis of scrutiny of records in seven commissionerates. These commissionerates are: Delhi Service Tax Commissionerate, Large Taxpayer Unit Commissioerate in Delhi, Mumbai and Chennai, Service Tax I and II Mumbai Commissionerates and Pune III Commissionerate. The loss was caused due to non-payment or delayed payment of service tax on reinsurance services, non-payment of taxes on certain services due to ambiguity in certain provisions, etc. One of the main anomalies pointed out was on the taxability of the trading activities undertaken by insurance companies in Ulips.The CAG alleged that this has led to a revenue leakage of Rs 253 crore between 2010-11 and 2012-13. According to the circular issued by the indirect tax department in 2010, service tax is applicable to all types of administrative charges under insurance service.

However, there is a lack of clarity on whether a trading activity under ULIP constitutes administrative functions and thus taxable. According to CAG, this anomaly had led to companies such as DLF Pramerica, Max Life, Aviva, Canara HSBC Oreintal Bank and ICICI Pru Life not paying service tax. The ambiguity on taxability of ULIP on account of trading activity had also led to misuse of input credit.

The CAG recommended that Central Board of Excise and Customs should issue appropriate guidelines on taxability of trading activity by insurers. "CBEC may consider issuing a clarification on the correct treatment in respect of trading as per investment activities carried out by insurance service providers," said CAG in the report. The auditor also stated the input credit should not be given on trading activities if they are exempt from service tax. The report also stated that three insurance brokers and one insurance company have fallen short on their service tax payment totalling Rs 14.72 crore during 2010-11-2012-13.

The input credit has been misused by insurance providers also in case of payment of educational cess. According to the auditor, the input credit on education cess cannot be used for payment of basic service tax. Among other loopholes, incorrect usage of input credit had hit the exchequer by over Rs 3 crore during this period. Insurance companies had yielded Rs 11,034 crore, contributing 8.32 per cent to the total service tax during 2012-13.

Source

Back

Life Insurance

High scope of fraud in the scheme: insurers - Financial Chronicle – 12th May 2015

Life insurance companies are pessimistic about offering the recently launched Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), as they will have to set aside capital to underwrite such a low-priced scheme that also creates massive scope for fraudulent claims.

The scheme offers a term life cover of Rs 2 lakh to all savings bank account holders. The prime minister last week claimed banks had enrolled 50.5 million people during a 7-day trial run.

The scheme is a renewable term life insurance cover of Rs 2 lakh to all savings bank account holders in the age group of 18-50 years, covering death due to any reason, for a premium of Rs 330 per annum.

While the sum assured of Rs 2 lakh on death of the insured member for any reason is payable to the nominee, no claim is admissible for deaths during the first 45 days from the entry date, except for cases of death due to an accident.

Initially for the cover period from June 1, 2015 to May 31, 2016, subscribers are expected to enrol and give their auto-debit option to the bank by May 31, 2015. This is extendable up to August 31. Enrolments subsequent to this date would be possible prospectively on payment of full amount and submission of a self-certificate of good health. Those who wish to continue beyond the first year will be expected to give their consent for auto-debit before each successive May 31 of the subsequent years. Delayed renewal subsequent to this date will be possible on payment of the full annual premium and submission of a self-certificate of good health.

Those aged between 18 years (completed) and 50 years (age nearer birthday) and who have given the consent to join the scheme during the ‘enrolment period’ are eligible to join the scheme.

Aadhar would be the primary KYC for the bank account. Every customer at the time of his entry into the scheme after the ‘enrolment period’ has to make a self-declaration that he is healthy, as incorporated in the “consent-cum-declaration form” for joining the scheme. If the insurance cover lapses due to any technical reason, such as insufficient balance for payment of premium on due date, it can be reinstated only after the grace period on the receipt of premium and a satisfactory statement of good health.

The policy shall not be issued if nominee details are not provided in SMS/ available in saving bank account. You will not get any separate intimation for the same from the bank/insurer. Customer response received through the registered mobile number shall be considered as their consent for auto-debit from their savings bank account. The savings account shall be debited on or before May 31, 2015.

Source

Since this is a term cover, there will be no surrender value or maturity value payable under the policy.

Back

Health Insurance

Insurers see pick up in demand for senior citizens' health policies - The Economic Times – 13th May 2015

General insurers are witnessing a spurt in interest for senior citizens' health insurance policies, as shrinkage in parental coverage offered by corporate employers and rising healthcare inflation prompt senior citizens to seek health cover.

According to insurers like Star Health and Bajaj Allianz, which offer products meant for senior citizens, the category has registered a growth of 20-25% in 2014-15. "We have seen a growth of 21% in our senior citizens' policy sales this financial year," said V Jagannathan, CEO of standalone health insurer Star Health. Bajaj Allianz has seen an average increase of 25% - higher than the 20% growth in its overall retail portfolio - in the number of polices bought by senior citizens in the last three years. Premium growth for the segment across insurers is in the range of 10-20%. As per industry estimates, the size of this segment is close to Rs 400 crore.

Senior citizens' products typically come with co-pay ratios, where the insured has to pay say 10-25% of the claim amount, loading on premium for covering certain conditions like hypertension and diabetes and so on. The advantage here is that unlike regular health policies, where those over 65 are not extended coverage, these policies are designed specifically for senior citizens between 60 and 80 years of age.

Industry estimates peg annual healthcare inflation at 12-18%. Since 2010, many corporates have either partially or fully withdrawn parental coverage, introduced restrictions like co-pay or passed on the premium burden to employees who wish to cover their parents under the group policy.

"The trend continues this year too. Many corporates have transferred the responsibility of funding parental cover premiums to the employees," said a senior executive of a large general insurer. As per a group health insurance survey released by Marsh India in February, 35% of organisations polled offered parental cover on a voluntary basis, where the employee had to pay the premium.

"There are multiple reasons for this (spike in interest for these policies), apart from shrinkage of corporate parental cover. The most common one is the increased awareness of high value claims being lodged by this segment and children opting for health cover for their parents as a part of their financial security measures," said Suresh Sugathan, head, health insurance, Bajaj Allianz General Insurance. Insurers say the average ticket size of health insurance cover bought by those over 60, too, has been going up steadily, from Rs 2-3 lakh a couple of years ago to Rs 4-5 lakh now.

"The awareness about rising healthcare costs is growing. Often, it's the sons and daughters who take the lead to enhance their parents' health cover. Tax breaks on health insurance have also contributed to this trend," said a senior official of a private general insurance company.

"We receive maximum enquiries from the older age-groups as they are most vulnerable to diseases. However, the state of health of this group calls for a higher premium which is often beyond their budget," said a senior official of a general insurance company.

The Insurance Regulatory and Development Authority of India (IRDAI) has stipulated a minimum entry age of 65 years and barred insurers from rejecting renewal requests throughout the insured's lifetime, except on the grounds of fraud and misrepresentation. The insurance regulator has also directed insurers to form grievance redressal cells dedicated to handling complaints from senior citizens.

Source

General Insurance

CM stresses need to make crop insurance policy more practical – The Times of India – 13th May 2015

Chief minister Shivraj Singh Chouhan on Tuesday stressed the need for making new crop insurance policy more practical to compensate loss of crops to farmers. He also suggested to fix minimum assistance by insurance companies in case of crop loss due to natural calamities and other causes, stated a government release.

Chouhan said that UPA government had formulated crop insurance policy keeping in view interests of insurance companies instead of farmers. He said that BJP in its election manifesto had resolved to formulate crop insurance policy in the interest of farmers and the NDA is committed to implement it.

Chouhan informed that the state government had distributed Rs 2087 crore assistance from its own resources when soybean crops of farmers in state were damaged last year. Insurance companies had refused to compensate such massive loss saying that they could not provide financial assistance more than total amount of installments paid, release stated.

Source

Back

Govt yet to receive fund-raising proposal from PSU general insurance cos: Jaitley - The Hindu Business Line – 9th May 2015

The Centre has not yet received any proposal from State-owned general insurance companies for funding their expansion through public issues. This was conveyed to the Lok Sabha by Finance Minister Arun Jaitley in a written reply on Friday.

The insurance regulator IRDA has also not received any such proposal for approval, Jaitley added. The Insurance Regulatory and Development Authority (IRDA) had in February 2013 prescribed the manner, procedure, criteria and conditions for general insurers to be granted approval for raising capital through public issues.

When there is a need for Government insurance companies to raise their capital, they have to send a proposal in detail to Government, which will examine and take a suitable view, Jaitley said.

Source

Back

Make crop insurance farmer-friendly, suggests CACP - The Times of India – 7th May 2015

Chairman of Commission for Agricultural Costs and Prices (CACP), Ashok Vishandass and member secretary Shailja Sharma on Wednesday visited villages of Muktsar district and interacted with farmers for making crop insurance scheme effective and pro-farmer.

Speaking on the occasion, Vishandass said, "Certain lacunae in crop insurance scheme are yet to make it pro-farmer. The commission would send its recommendations to the Union government stating that the crop insurance scheme should be made effective and crafted in larger interest of the farming community."

He said the farmers needed an insurance policy that could fulfill all expenses incurred on losses and the scheme should be long-term and completely transparent. He said, "Farmers are currently paid insurance cover only for some of the input cost whereas the actual loss is much more than the compensation awarded."

He suggested that in such circumstances farmers should be given relief equal to their income during normal harvest season. "The insurance companies should prepare policy in this context by taking suggestions from the commission, farmers and farm experts," he said. The CACP team visited Jhabel Wali and Dodan Wali villages and spoke to farmers about the problem of waterlogging.

Muktsar deputy commissioner Jaskiran Singh shared problems faced by farmers in the area with the CACP team. Punjab director of agriculture Mangal Singh Sandhu said that to improve the fertility of soil affected by waterlogging, the Union government should give farmers gypsum, green manure and machines to improve cultivation.

Source

Reinsurance

Global reinsurers firm up plans, appoint India CEOs – The Financial Express – 10th May 2015

Global reinsurance giants are in the process of setting up their top team in a bid to kickstart their India operations after receiving licenses from the Insurance Regulatory and Development Authority of India (IRDA). With a new Insurance Act that allows entry of branch operations of foreign reinsurance giants and 49 per cent foreign equity in place, Swiss Re, the second largest global reinsurer has appointed Kalpana Sampat, currently the chief — customer serviceand operations at ICICI Pru as the chief executive officer & managing director of its operations in India. Swiss Re has recently been allowed to open branch offices in the country.

US-based RGA (Reinsurance Group of America) has appointed Thomas Mathew, former acting chairman and managing director of Life Insurance Corporation as the managing director of its India operations. Mathew who joined the company on March 30 has already resigned as LIC's nominee director on the boards of various companies. Though Swiss Re has a major exposure in Indian general insurance business through its reinsurance operations, sources point out that the reinsurance major was looking for a professional with sound expertise in life insurance and health segment to head its India operations. Munich Re, the largest global reinsurer, appointed Hitesh Kotak as the new CEO of its India operations. The company has also shifted its India headquarters from Kolkata to Mumbai and sources point out that it is expanding its India team.

Joseph Augustine who has been heading the India operations of Catlin will continue in the same position. Catlln which was recently taken over by US insurer XL in one of the largest international M&A, would soon announce the new structure of the merged company in India. Other companies like SCOR and Lloyd's will also name new India chief executive officers soon. Sources said that global reinsurers who were so far operating through their service companies or representative offices will be setting up their full-fledged India operations soon and will be hiring a lot of Indian professionals. Insurance regulator IRDA has already issued draft norms for allowing branch operations of international reinsurers in India.

Source

Back

Lloyd's chairman John Nelson meets IRDAI chief T S Vijayan - The Economic Times – 8th May 2015

As Lloyd's of London firms up plans to enter India, its chairman John Nelson is believed to have discussed with regulator IRDAI's chairman T S Vijayan the detailed guidelines for the reinsurance market. Nelson met Vijayan late last evening in Hyderabad. This is Nelson's first visit to the country after the new Insurance Act was passed.

IRDA sources confirmed the meeting and said Nelson discussed his organisation's plan to enter the country. The meeting assumes significance as Lloyd's has already started the process to set up its operations in the country. Lloyd's needs a separate set of guidelines as unlike several other global reinsurance firms, Lloyd's, set up in 1688, operates not as a company but as a market where multiple members join together as syndicates to reinsure risk.

Source

Back

GIC to design policy to cover civil nuclear liability - The Hindu Business Line – 7th May 2015

An insurance product to cover civil liability for nuclear damages is in the works. This is intended for the benefit of operators of nuclear power plants as well as suppliers (both domestic and foreign). The Department of Atomic Energy (DAE) in coordination with the Department of Financial Services (DFS) is considering a proposal for developing an appropriate insurance product for this purpose.

This insurance product will be developed by the General Insurance Corporation of India (GIC Re), Jitendra Singh, Minister of State in the Prime Minister's Office, said in a written reply to a Rajya Sabha question on Thursday.

On March 20, GIC had conducted an international workshop in New Delhi to gather inputs from various stakeholders as well as clarify their doubts in the context of development of an appropriate insurance product to cover the liability under the Civil Liability for Nuclear Damages Act 2010, the Minister added.

Source

Survey & Reports

Online subscription of non-life insurance policies on the rise, says ICICI Lombard study - The Hindu Business Line – 13th May 2015

A study by ICICI Lombard and Google India has revealed that online purchase of non-life insurance products has been growing in India. Buying was higher for motor insurance with 24 per cent users buying policies online, compared to 12 per cent buying health insurance online. The study was commissioned to understand patterns of online purchase of non-life insurance products.

Over 3,000 active internet users, spread across 18 cities in the 25–55 age group, participated in this survey. The findings revealed that users in the 25–35 age group were most active in the online purchase. Ease of purchase and convenience were the primary drivers.

Consumer behaviour for research and purchase across desktop and mobile was similar with 80 per cent users accessing the Net for insurance-related search or purchase through desktop/laptop and 85 per cent through mobile/tablet, indicating a clear tendency to shift between devices.

In addition, 'brand" was found to be the most influential factor. Sanjay Datta, Chief (Underwriting and Claims), ICICI Lombard, said that the online medium played a critical role in the purchase of non-life insurance products. The data revealed that 25 per cent more policy holders opted to buy family floater policy online as compared to offline customers, and 35 per cent more customers who bought health insurance online, renewed their policy as compared to offline renewals.

Vikas Agnihotri, Industry Director, Google India, said that online insurance sales could touch ₹3,00,000 – 4,00,000 crore in India by 2020. However, the study showed that in online purchase, the personal contact with an agent and post sales service could be an issue. Customers preferred an agent particularly for claim settlements and policy receipts.

Source

Back

Life insurance customers' satisfaction sees improvement: Survey - The Economic Times – 12th May 2015

Customer satisfaction on service levels of life insurers has improved on several counts, positively impacting insurers' customer loyalty scores, a study by conducted by market research firm IMRB International has found.

A slew of customer-friendly guidelines issued by the Insurance Regulatory and Development Authority of India (IRDAI) over the years has resulted in better turnaround time (TAT) perception, among other things. "Customer perceptions on TATs with respect to issue of policy, acknowledging and resolving grievances have improved significantly," the 2015 Insurance India report stated.

Policyholders are also happier with regard to services like timeliness of the alerts or reminders for premium due dates and receiving the premium receipts for payments made etc. As a result, customer loyalty scores have improved in terms of services as well as product-related aspects.

"The study shows that close to 60% of the customers are 'truly loyal' to their insurance providers, which is significantly better than 2014," the survey noted.

This apart, the study found that policyholders who have bought policies through agents have "weaker perceptions" about the companies compared to those who have made purchases through other channels.

Awareness of alternative channels like online is growing and the number of customers using this channel to make payments has grown sharply over last year, the survey revealed.

"New customer loyalty is highest when purchased online followed by agent and bancassruance. Their perceptions and experiences are more positive as compared to the tenured policyholders on most critical aspects like product, price and the value they get," the report noted.

Source

Internet to drive insurance sales of up to Rs 4 lakh cr annually: Survey - The Economic Times – 12th May 2015

The internet will help drive insurance sales of up to Rs 4 lakh crore annually in about five years as customers in non-metro cities and youngsters buy more policies online than anticipated, a survey shows. "Our studies indicate that the internet will influence Rs 3 lakh crore-4 lakh crore worth of insurance sales in India by 2020," said Vikas Agnihotri, industry director at Google India, which conducted a joint survey with private non-life insurer ICICI Lombard.

"The findings from this report clearly outline that consumers are shifting to the internet at a more rapid pace than perceived earlier." The survey did not indicate the proportion of sales from the internet. Life and general insurance companies did new business worth Rs 2 lakh crore in 2014-15, according to data collated by the industry. While life insurance earns income from the renewal of policies, general insurance is usually a one-year contract. Customers of non-life companies can move to other companies if they are unhappy with the present provider.

Source

Back

Online slowly becoming buyer's policy - The Financial Express – 12th May 2015

The buzz is so strong you cannot miss it. Whether it's products or services, Indians are getting comfortable with the idea of buying the virtual way. The effect is rubbing off on the insurance space, with consumers increasingly buying health and motor covers online. A joint survey by Google India and ICICI Lombard General Insurance shows that about 24% customers are buying motor insurance online and 12% have purchased health insurance online.

For motor insurance, the trend was consistent across age groups with even people aged 46-55 years preferring to go online because of convenience. In case of health insurance, first-time buyers were more willing to buy and renew health insurance online. Mobile is the most preferred device to access information on the internet. However, customers prefer an agent when it comes to claim settlements and policy receipts.

Source

Back

More people are buying non-life insurance products online, says study – Mint – 8th May 2015

Increasing Internet access is prompting more customers to buy non-life insurance products online, says research by ICICI Lombard General Insurance Ltd and Google India carried out across 18 cities. Of the 3,007 respondents, 24% bought motor insurance online and 12% health insurance.

Both young people (25-35 years) as well as elders (46-55 years) said they were comfortable buying motor insurance online. For health insurance, first-time buyers are more willing to buy and renew policies online. In terms of location, respondents from metros (85%) as well as non-metro cities (82%) are almost equally active online in buying insurance products.

"Our combined study indicates that Internet will influence almost Rs.3,000-4,000 billion worth of insurance sales in India by 2020. The findings clearly outline that consumers are shifting to Internet at a rapid pace. For motor insurance, the growth is coming from non-metros users—search queries on Google from non-metros are growing 43% year-on-year compared with 32% from metros. For health insurance, search behaviour has been consistent across metros and non-metros, with queries growing around 45% year-on-year," said Vikas Agnihotri, industry director, Google India.

The increasing role of mobile Internet is evident from the fact that 85% of respondents said that they researched insurance products on mobile phones while 80% said they did so on a laptop or desktop. More specifically, almost 47% of health insurance and 38% of motor insurance queries come from mobile online platform.

"People buying products online are more long-term oriented. Data reveals that 25% more policy holders buying online opt for family floater policy compared to offline customers. Even in terms of retention, 35% more customers buying health insurance online renew their policy in the second year compared to offline customers," said Sanjay Datta, chief underwriting and claims, ICICI Lombard General Insurance.

Source

'Motor products get highest preference online in non-life insurance segment' - Business Standard – 8th May 2015

In the non-life insurance segment, motor products are preferred online, according to a report by Google India and ICICI Lombard General Insurance. The report adds online purchase of non-life insurance products in India is growing across buyers. The adoption was higher for motor insurance (24 per cent are buying these policies online) than health (12 per cent).

These findings are based on an offline survey of 3,007 active internet users aged 25-55, across 18 cities in India. The findings show internet users in the 25-35 age bracket are the most active in buying non-life insurance products online. Vikas Agnihotri, sector director, Google India, said

"Our studies indicate the internet will influence Rs 3-4 lakh crore of insurance sales in India by 2020. The findings clearly outline consumers are shifting to the internet at a more rapid pace than perceived earlier."

For motor insurance, the behaviour was consistent across age groups, with 46-55 bracket, too, preferring to buy/renew motor insurance online.

The report said ease and convenience of purchase was the primary driver for buying motor insurance online. In the case of health insurance, first-time buyers were more willing to buy and renew health insurance online. Also, the willingness to buy and renew non-life insurance products online among those aged 46-55 was growing, it was found.

Sanjay Datta, chief (underwriting and claims), ICICI Lombard General Insurance, said his experience with customers showed those buying products online were more evolved and long-term oriented. Consumer behaviour for research and purchase across desktops and mobiles was similar, with 80 per cent having accessed the internet for insurance-related search/purchase through desktops/laptops, while 85 per cent did so through mobiles/tablets.

In terms of those using the internet to research for health and motor insurance products, respondents cited 'brand' as the most vital factor, with 88 per cent saying the reputation of the company influenced their purchase, while 67 per cent influenced by word of mouth.

Source

In terms of hurdles to purchase of non-life insurance products online, ties with an agent and better post-sales services were cited as the reasons for not using the internet. Customers preferred agents for claim settlements and policy receipts.

Back

Purchasing insurance online gains popularity - Financial Chronicle – 7th May 2015

Online purchase of non-life insurance products in India is growing across buyers in metros and non-metros. The trend is higher for motor insurance with 24 per cent users buying policies online, whereas 12 per cent users purchase health insurance online, says a joint report compiled by Google India and ICICI Lombard General Insurance.

The report, based on an offline survey of 3007 respondents who were active internet users, also shows that internet users in the age group of 25 to 35 are most active in buying non-life insurance products online. For motor insurance, the behaviour is consistent across age groups with even the elderly (46-55) preferring to buy or renew policies online. Ease of purchase and convenience are the primary drivers for buying insurance online.

Source

In case of health insurance, first time buyers are more willing to buy and renew policies online. Also, willingness to buy and renew non-life insurance products online amongst older age group is growing. Consumer behaviour for research and purchase across desktop and mobile was similar with 80 per cent users having accessed the internet for insurance related search through desktop/laptop, while a higher 85 per cent doing so through the mobile/tablet. In terms of those using the internet to research for health and motor insurance products , respondents cited 'brand' as the most influential factor for finalising their decision. As much as 88 per cent of respondents said reputation of the company influenced their purchase.

IRDAI Circular

Source

IRDAI released exposure draft regarding IRDAI (Registration of Indian Insurance Companies) (Seventh Amendment) Regulations, 2015

Source

IRDAI uploaded guidelines on participation in electronic transaction administration and settlement system.

Source

IRDAI updated status of Third Party Administrators as on 11th May, 2015

Source

IRDAI uploaded circular regarding submission of new products for non-life (except health) through Business Analytics Project (BAP) to CEOs of all non-life insurers

Back

Global News

Australia: Recent nat cat losses to challenge underwriting profits – Asia Insurance Review

A string of recent major natural catastrophe events in Australia is expected to materially affect non-life insurers' upcoming earnings for the fiscal year that ends on 30 June 2015, according to a new AM Best briefing.

The Best's Briefing, titled "Recent Natural Catastrophe Losses in Australia Challenge Underwriting Profits", said that the real impact will be more of an earnings event for Australia's non-life sector than a capital event.

These major catastrophes include a November 2014 hailstorm in Brisbane, Tropical Storm Marcia in February and April events that included a New South Wales storm and a hailstorm in Sydney.

Despite the anticipated negative impact on underwriting profits, these catastrophic events thus far are unlikely to lead to a net loss for the non-life sector given the robust reinsurance protection in place for general insurers that operate in the region, according to AM Best.

Reinsurance will substantially mitigate the net impact on the sector primarily through per risk excess of loss cover, and some forms of aggregate excess of loss cover.

Overall, the Australia's non-life sector is expected to be able to withstand at least a few event retentions annually before the losses may erode the capital base and develop into a capital event, the report said. Returns from a substantial investment base maintained by Australia's non-life insurers have helped balance volatility caused by natural catastrophes in the past, and have also significantly contributed to the industry's net profit and return on equity.

The earning pattern, with sizeable net investment income but modest and variable underwriting profit, will likely be sustainable given the large size of the non-life industry's invested asset base.

On 4 May, the Insurance Council of Australia (ICA), which represents general insurers, declared a catastrophe for insured damage caused by heavy rain and inundation in south-east Queensland and northern New South Wales between 30 April and 3 May. This is the fifth catastrophe declared by the ICA this year.

The five catastrophes declared by ICA this year are as follows:

- Queensland/ New South Wales storm (April/May) – at least 7,500 claims with initial losses estimated at A$26 million (US$21 million);
- Sydney Anzac Day hailstorm (April) – at least 19,000 claims and A$125 million in losses;
- New South Wales storms (April) – at least 68,243 claims and A$301 million in losses;
- Tropical Cyclone Marcia (February) – at least 35,366 claims, A$446 million in losses;
- South Australian bushfires (January) – at least 996 claims and A$36.6 million in losses.

Source

China: Govt announces tax perk for private health insurance – Asia Insurance Review

The Chinese government has announced a pilot plan to boost private health insurance by granting tax incentives. Under it, policyholders can deduct up to CNY2,400 (US$387) per year from their assessable income for health insurance premiums.

The tax perk was announced a day after the Chinese government said that it will abolish long-standing state price controls on most medicines, with effect from 1 June, as part of market-oriented reforms.

Taking a leaf from the experience abroad, Premier LiKeqiang made the decision on the tax incentive at a State Council meeting on Wednesday. The goal is to promote commercial health insurance so that it would supplement a government-run basic health insurance scheme to afford more protection to the people.

Mr Hao Yansu, Dean of the Central University of Finance and Insurance, told the China News Agency that for an individual who earns CNY5,000 a month, the tax perk would mean a decrease in personal income tax of CNY120 each year.

The move to grant tax incentives to promote the purchase of private medical insurance has been considered for several years now from a number of perspectives. Promoting private health insurance would boost health services, increase employment, raise the level of medical care and improve welfare.

At present, medical insurance is currently regarded as a marginal segment of the Chinese insurance market.

While the tax incentive may lead to more Chinese to buy private medical insurance, insurers face major challenges in their operations. Most of them have suffered losses in their health insurance businesses, even though premiums are high. In 2013, four out of the five health insurance companies reported losses. The largest, PICC Health Insurance, registered a net loss of CNY187 million, reported the Caixin business news website.

Source

Industry sources say that in China, insurers have no say in hospitals' diagnosis and treatment procedures to control medical care costs. Hospitals and doctors tend to over-treat illnesses and prescribe expensive medicines to patients in a bid to make more money.