Insurance Institute of India
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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

When you have exhausted all possibilities, remember this: you haven't!

– Thomas Edison

INSIDE THE ISSUE

Insurance Industry

Insurance firms, banks rush to invest in small finance banks – Business Standard – 2nd January, 2017

Small finance banks (SFBs) seem to have become the favourite of the season. In a majority of the proposed SFBs, insurance firms have picked up stakes. Banks and mutual funds, too, have been investing in SFBs.

One of the reasons that financial institutions are betting on is the potential synergy in distributing financial products in the rural and semi-urban markets, say experts.

At Ujjivan, which got listed on stock exchanges a few months ago, insurance companies hold 9.75% stake as on September 30, 2016. Insurance companies which picked up stake include HDFC Standard Life Insurance, Bajaj Allianz Life Insurance, Birla Sun Life Insurance, Max Life Insurance and Shriram Life Insurance.

"SFBs can be a potential channel to reach out rural customers. Also, we see it as a good investment opportunity going forward," said the executive of an insurance firm.

At Suryoday Microfinance, which plans to start operations by the middle of January, HDFC Holding and HDFC Life Insurance hold a combined stake a close to four%, said R Baskar Babu, chief executive of Suryoday Micro Finance. The bank plans to start operations with around five branches and scale it up to around 30 by March 2017. IDFC Bank, too, has picked up 4.99% stake in the proposed bank.

"From a strategic point of view, collaboration with banks and insurance companies will be useful in the long term. Majority of our loans, around 50% of our portfolio, has to be less than Rs 25 lakh. For the remaining portfolio, we may not like to write the portfolio in our books. So, bank can be a sourcing partner. As we start, we'll think of other ways of collaborating," said Babu.

"Insurance and mutual fund companies are proactive in investing in small finance banks. There are two reasons: one, from the investment perspective, and second from the point of view of future collaboration in the bankassurance model," added Babu.

Disha Microfin, which will apply for a final banking licence in January 2017, too, is in talks with insurance companies for raising funds. "We are in the final stages of closing deals for fundraising. Insurance companies are investing in almost all small finance companies. There are synergies in business requirement. There will be investors from the insurance sector in our bank, too," said Rajeev Yadav, CEO of Disha Microfin.

Varanasi-based Utkarsh Micro Finance has already signed a deal with Ratnakar Bank for close to 10% stake in the proposed bank. This apart, ICICI Prudential will hold a little less than five%, while HDFC Life Insurance and Shriram Life Insurance, too, will hold close to five% stake each in the proposed bank, said Govind Singh, managing director of Utkarsh Micro Finance. This apart, HDFC Ergo will hold a small stake in the proposed bank, he added.

"We have got good response from insurance and banks in our last round of fundraising. As a bank, we can play a bigger role in the financial space compared to MFIs (microfinance institutes).

Source

We can sell a lot of insurance products, too, which is difficult for NBFC MFIs. Also, as a bank, we can have varied business activity and client base," said Singh. Uttkarsh plans to start operations this month.

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For insurance companies, mobile, e-wallets will serve as enablers of digitalization – The Financial Express – 2nd January, 2017

The Indian insurance industry is on a growth trajectory. Since privatisation, the number of private insurers has grown ten-folds, and penetration of life insurance alone has increased to 2.6 % as on 2015, from 1.5% in year 2000. Having said that, insurance is still sold, not bought. A case in point is the Pradhan Mantri Jeevan Jyoti Bima Yojana. The scheme was launched in 2015 with the support of banks. While the renewal rates went up by almost 90%, in the second year the new enrolments were very few. Altogether, three crore lives have been insured in PMJJBY against the 132 crore population and 17.24 crore of Jan Dhan accounts.

To look at the bright side, the penetration of life insurance, thanks to the PMJJBY scheme, has been remarkable. We need to build on this awareness to realise the potential of the industry.

The year gone by

The insurance industry witnessed quite a few historical breakthroughs in 2016, such as merger of two large insurance players, fallout of joint ventures and the first ever IPO in the insurance space. It is yet to see the benefits of the FDI limit increase from 26% to 49%. We believe that the related regulations around Indian ownership and controlled businesses and the CCI provisions had an impact on the assessment of opportunity.

During the year, the regulator initiated several changes for the life insurance sector with exposure drafts on expense management, remuneration to insurance agent and intermediaries, corporate governance, and convergence to the Indian Accounting Standards being the key highlights. Further, regulatory enablement to open architecture for bancassurance, POS product and eInsurance regulations for tab-based applications to issue policy via electronic modes created new opportunities.

The recent currency demonetisation has seen many unbanked or underbanked individuals in the country moving into the formal banking channel. We believe this will have a direct positive impact on the formal channels of savings, including life insurance.

Digitalisation and its impact

One common theme that emerges as the "go to" objective for a life insurance company is about increased efficiency and corporate governance. We believe that leveraging technology beyond the conventional backend processes is the way forward. Even companies like us, who have more than 90% of new business applications coming in through digital channels, feel that we are underleveraged on technology.

Big data harnessing, virtualisation, usage of bots, analytics and predictive modelling are all opportunities to be realised to achieve the primary objectives. Enhanced productivity through higher conversion of leads can be achieved using the digital footprint to offer customised and need based solutions, simplifying the entire sales cycle. Mobile and electronic wallets, as alternate payment methods, are the most progressive outcomes of demonetisation, which will serve as an enabler for digitisation of initiatives by insurance companies.

Source

The future looks promising for the life insurance industry with the changes in the macro environment and regulatory framework working as enablers. Creating an effective strategy, including taking advantage of the opportunities arising from InsurTech and artificial intelligence, will ensure that business models are fit for growth.

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Life Insurance

Digital transformation: Life insurance trends to watch out for in 2017 – The Financial Express – 30th December, 2016

The life insurance sector has huge potential to grow as it is one of the important pillars for financial protection of life stage goals. The only need is to raise awareness levels, knowledge on the products and better understanding to differentiate each financial tool according to individual goals. Here are my predictions for the insurance sector in 2017.

Digital a new buzz

Digital transformation has played the role of a game-changer for the insurance industry, leading to product innovation and better pricing. The digital era that started nearly a decade back has made insurance products simpler and easier to understand. The disruption has been transforming customer behaviour and leading to more informed choices as consumers make their decisions after thoughtful research, keeping in mind specific financials goals. With the thrust on Digital India and recent announcements of discounts for online purchase, insurance as a category is likely to turn completely cashless in 2017.

Customer retention

A key driver in business performance is customer satisfaction and loyalty. A small rise in customer retention ratio can change customer life time value, especially in an era where customer has more power to compare, choose and buy insurance plans. The digital era has changed the consumer mindset, making them active consumers rather than passive ones. The cost of attracting new customers is four times more than retaining existing ones; therefore, customer retention strategy will be a key business agenda in 2017.

Insurance for financial safety

Minimising tax liability is often desirable for investors. Life insurance is one such tool that has been sold as a savings product in the past. However, the primarily objective of insurance is to secure the future of your loved ones and ensure financial stability.

Digital is gradually changing customer perception. An increase in the number of daily visitors to insurance comparison portals, and their interaction with customer care executives, asking them about the features and benefits of pure life insurance plans indicate that life insurance is today seen as a pure protection product rather than just a tax-saving or investment instrument. This attitudinal shift will only grow and become a norm in 2017, as people are expected to embrace life insurance for protection.

ULIPs to emerge

Source

Unit-linked insurance plans (Ulips) are now considered to be much better product than earlier. Before 2010, Ulips were expensive due to high premium allocation and fund management charges but after the regulatory changes made by Irdai in 2010, the industry witnessed complete overhaul of the product which has been beneficial for the end-users.

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Life insurance sector unfazed by demonetisation – Business Standard – 30th December, 2016

The life insurance sector seems to have emerged from the demonetisation process unscathed, as both Life Insurance Corporation (LIC) and private insurers reported double-digit growth during this period. The individual annualised premium equivalent (APE) grew 24 per cent for private life insurers and 15 per cent for LIC in November, compared to October. On a year-on-year (y-o-y) basis, private insurers and LIC grew at a robust pace of 42 per cent and 38 per cent, respectively.

Source

In market share, ICICI Prudential Life and Max Life registered highest gains in November on a month-on-month (m-o-m) basis; HDFC Life and Bajaj Allianz witnessed the highest fall. Most bank-led insurers seem to have tapped on the higher footfalls this month, to register higher growth in their life insurance business. Rise in financial savings by individuals in the wake of demonetisation could be another reason. Reliance Life, on the other hand, managed to arrest the decline in its market share and maintained the same in November. Overall, the share of private life insurers increased 190 basis points (bps) m-o-m to 52.7 per cent, with LIC holding the rest.

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More commissions for life insurance agents – Mint – 4th January, 2017

The much awaited regulation on insurance distributor commissions is finally out. So, get ready to pay more to your insurance agent from April. For life insurance, other than new commission limits, extra payments to distributors in the form of rewards have also been formalised, taking the total distributor incentive higher than what it is.

Increase in commissions

The new rules have divided life plans into two segments: pure risk products (term plans) and policies that bundle investments. The first-year commission for a regular premium term plan is capped at 40%, and renewal commission at 10% each year through the premium payment term. Commission is calculated as a percentage of the premium and is embedded in what you pay.

Commission rates until now didn't differentiate between a pure term plan and a bundled life insurance plan. They were dependent mainly on the premium payment term and the age of the insurer. So the maximum commission of 40% was allowed if the insurer was less than 10 years old and on products with a premium payment term of 12 years or more. For older insurers, the first commission was capped at 35%.

"Insurers have already started focussing on protection plans and these regulations only nudge the industry further," said R.M. Vishakha, managing director and chief executive officer, IndiaFirst Life Insurance Co. Ltd.

For bundled plans, the first-year commissions remain largely unchanged. Policies with a premium payment term of 5 years have a 15% upper limit whereas it is 35% for policies with a PPT? premium payment term of 12 years. The only change is that the new rules don't allow higher commissions for younger companies. So, regardless of insurer's age, the limit is 35%.

The big shift, however, has been the increase in renewal commissions. Till now, for agents this was up to 7.5% of premium in the second and third years, and 5% thereafter. But this will now be 7.5% every year, increasing the overall commissions. "This will encourage agents and intermediaries to service policyholders for the long term. It will also improve persistency and reduce lapsation rates," added Vishakha.

The new rules have also brought the commission paid to brokers at par with agents. Insurance brokers are classified as insurance intermediaries, along with corporate agents, insurance marketing firms and web aggregators.

Rewards

Insurers can now also pay extra to distributors through rewards. This effectively takes the first-year commission to 48% for term plans, and 42% for bundled plans with PPT of 12 years or more. A reward is an incentive given to distributors to clock in more sales, and is paid over and above the commission.

The fact that insurers pay extra to distributors even though rules prohibit it beyond the commission caps, is the worst kept secret of the industry. In fact, over-paying agents and intermediaries, especially banks, has been one of the main reasons why insurers have been fined in the past. "Extra payments were made to distributors through various avenues but these were getting attributed to the overall acquisition cost, making it difficult to track. But now the regulator has added a category and also capped it, which should make tracking easier," said a senior executive of a life insurance company..

Rules now allow life insurers to offer a reward that's not more than 20% of first-year commission. But it has also been made clear that entities that primarily focus on insurance distribution will be entitled for these rewards. "No reward shall be paid to an insurance intermediary whose revenue from other than insurance intermediation activities is more than 50% of its total revenue from all activities," stated the circular.

This affects banks. "The regulatory push has been to revive the agency sales-force and cultivate a dedicated proprietory agency channel that's performance driven," said Sunil Sharma, appointed actuary, Kotak Mahindra Old Mutual Life Insurance Ltd. "Also, insurance business doesn't form a large part of revenues for banks, so banks won't be eligible for rewards. This is a significant step as the industry moves towards open architecture," added Sharma.

However, this is not watertight yet. "In the case of public sector banks, there are typically no extra payments. But in private sector banks, the total payment goes as high at 80% even when the rules allow up to 35%. The extra payment is slipped through the acquisition cost, which, unless the regulator proactively tracks, may be difficult to control," said a chief executive officer of an insurer who didn't want to be named.

Mint Money take

In products, other than term plans, participating insurance cum investment plans may become popular. Given the cap on reduction in yield, there is limited scope to increase commissions in unit-linked insurance plans (Ulips), and non-participating bundled products have to manage long-term guarantees and the downward trend in the interest rates make them less attractive.

Source

A positive effect of the regulations is that term plans will get a push. But the increase in commissions comes at a time when the financial sector is actively discussing policy changes to scale down commissions and insurers are under pressure to manage costs. Retaining high first-year commission may not yield the desired results.

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General Insurance

General insurance in 2017: Going forward, focus will be on providing wellness solutions to customers – The Financial Express – 2nd January, 2017

The insurance industry today is witnessing a paradigm shift from the regular product based approach to a more dynamic customer centric approach. This shift can be attributed to changes in the technological, regulatory and socio-economic-political scenario, which have let insurers to reboot their traditional ways of doing business.

The year 2016 has been a dynamic year for the insurance industry which saw some large players in the process of consolidation to achieve scale and bring in better synergies in expenses. Regulatory moves like listing of public sector insurers and allowing reinsurers to set up businesses in India indicate the industry's thirst for expanded growth and penetration. The year also saw insurers embracing digital transformation with companies digitising several customer touch points, especially policy servicing and claims registration.

The new year shall usher in a new set of challenges for the insurance industry as it looks at digitising the entire value chain and interactions with customers. As the nation moves towards a cashless economy, retail and corporate cyber insurance plans are going to gain traction addressing the new age risks that Indian consumers are now exposed too. It will also see insurers introducing new modes of paperless and cashless transactions as digital insurance offices gain more prominence in 2017.

Going forward, focus would be on providing wellness solutions to customers that encourage healthy living, rather than just servicing claims. Rising popularity of connected devices and Internet of Things (IOT) has enabled insurers to introduce usage based insurance offerings. The platform was set in 2016, when our company introduced a connected solution for motor insurance customers. In the coming year insurers are likely to introduce more IOT based solutions in the health and home insurance space. A simultaneous rise in demand for these policies that offer more customised solutions is also projected. The insurance industry is also expected to embrace the latest technologies for risk management and claim settlement such as using drones for agricultural land and other non-motor inspections or introduction of applications that allows customers to inspect and settle their own motor claims.

On the regulatory front, with public sector insurers allowed to list, it is expected that profitability of insurance companies will take center stage and pricing would be made more sustainable through risk based underwriting. This will bring back profitability in the industry and will provide thrust to customer centric initiatives as companies plough back the profits towards innovations in this space. Regulations have also paved the way for flow of more capital. Besides, it is expected that the government along with the regulator will continue working towards bringing out more affordable insurance schemes to increase insurance access and extend the financial security net to the masses, especially in tier 2 and 3 cities and rural areas. This collaboration between the center and the industry will further propel the growth story.

Source

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Get third-party insurance or face fine – The Times of India – 2nd January, 2017

It is advisable to get third-party insurance of one's vehicle done by first week of January after which non-compliance will entail Rs 1,000 fine and the vehicle being seized. Those visiting regional transport office for renewal of RC, transfer of ownership of vehicle, NOC or any other, will be checked for the third party insurance first.

During Road Safety Week from January 9-15, transport department will launch state-wide drive against vehicles not covered under third-party insurance.

In case a road accident involves a vehicle not covered under third party insurance, it's the owner of the vehicle who has to pay compensation to the the victim, termed as third party. If the owner does not pay compensation, the victim suffers as the case drags in Claims Tribunal. If the vehicle is covered under third party insurance, compensation is paid by the insurance company.

It's mandatory for all vehicles to be covered under third party insurance under Section 146 of the MV Act. 1988. "While the insurance cover of commercial vehicles is renewed every year as it is linked to the fitness certificate of vehicles, 90% private cars and bikes are not covered under third party insurance in the state," said sources in transport deparment.

Source

Supreme Court appointed Committee on Road Safety on December 27 wrote to principal secretaries, transport department of the states to ensure third party insurance of commercial and private vehicles is done without fail. The committee observed that 50% vehicles on road in the country are plying without third party insurance cover. "The situation is frightening for road accident victims," said the committee.

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Farmers reluctant to adopt crop insurance scheme – The Tribune – 3rd January, 2017

Farmers of the district are not showing enthusiasm for the Pradhan Mantri Fasal Bima Yojana (PMFBY).

Sources in the Agriculture Department said only two farmers had applied for insurance claims on account of losses due to hailstorm and rain in the last season. Their claims are yet to be settled.

The awareness camps held by the Agriculture Department seemed to have failed to attract the attention of farmers. Raj Kumar, a farmer, said there were several flaws in the scheme. “The insurance installment should be given by the government, not by the farmer,” he said.

Pardeep Meel, Deputy Director Agriculture (DDA), said the actual data of farmers who got their crops insured would come after December 31. “If farmers are sowing any crop, other than wheat, mustard, gram and barley

Source

that is covered under the scheme they should inform the bank by submitting Form-C to avoid the premium,” he asserted.

Back

Death by mosquito bite an accident, insurer must pay up: National Consumer Disputes Redressal Commission – The Times of India – 1st January, 2017

In what could be a path-breaking order, the National Consumer Disputes Redressal Commission has held that a malaria death caused by mosquito bite is an accident, and directed the insurer to honour its policy to a widow. An accident is something that happens unexpectedly and is not planned,'' said the commission. "It can hardly be disputed that a mosquito bite is something which no one expects and which happens all of a sudden without any act of omission on part of the victim," said Justice V K Jain, presiding member of NCDRC.

The order came on a claim filed by Mousumi Bhattacharjee, who lost her husband in November 2012 to malaria in Mozambique where he worked in a tea factory . The husband, Debasish, a Kolkata resident, had availed of a policy of the National Insurance Company called "Bank of Baroda Home Loan Suraksha Bima" to cover death by accidents. He paid a one-time premium for the sum insured, Rs 13.15 lakh, to be paid in case of "death due to accident". But when his widow filed a claim, the insurance com pany rejected it saying a mosquito bite was not an accident under the policy , and that malaria was a disease. But all three consumer fora, right from the district and state consumer forums to the apex National Consumer Commission, held the company's stand incorrect.

The national commission observed that the insurer had included snake bites, dog bites and frost bites under the `accident' category . The commission also cited Black's Law dictionary that describes an accident as "an unanticipated and untoward event that causes harm". Consumer activist Jehangir Gai said the judgment would benefit several policy holders, especially those who are victims of dengue and malaria as the same interpretation will apply to dengue also."

Source

While welcoming the decision, another veteran consumer activist Shirish Deshpande, however sounded a note of caution. "The commission has equated dog and snake bites with mosquito bites. But malaria is endemic in nature. The judgment may need to be tested finally by the SC as it may open floodgates for such claims."

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Health Insurance

Cashless health cover for 15 lakh state employees, pensioners – The Times of India – 4th January, 2017

From May this year, around 9 lakh state employees and 6 lakh pensioners and their family members will have access to cashless medical services at the best of hospitals across India.

Though no limit has been fixed to the cost of medical treatment, the facility would be available for emergency and critical ailment. This will be possible through the employees' cashless treatment scheme rolled out by the state government here on Tuesday.

"The scheme has been approved by the state cabinet and enrolment of state employees has begun," said Alok Mitra, chief executive officer, State Authority for Comprehensive Health Insurance, which is coordinating the implementation of the scheme. Mitra added that enrolment for pensioners will begin in a week's time.

Once the scheme is implemented, a beneficiary will only have to go to the listed centre and give a thumb impression on a biometric reader to avail the facility (the system is linked to Aadhaar card).

SACHI has entered into several memorandums of understanding (MoUs) with 1,500 hospitals, including 800 private facilities, across India for the purpose. The list includes centres like CMC Vellore, PGI Chandigarh and AIIMS, New Delhi in the public sector and Tata Memorial Hospital, Medanta Medicity in Gurugram, Narayana Health hospitals in Bengaluru from the private hospitals.

"A host of health services have been covered in the two categories. Emergency services include cases of accident, angioplasty, valve replacement, etc, while critical ailments like joint replacement and organ transplant have been covered too," said Mitra.

Officials at SACHI informed that enrolment will have to be done through their website. One needs to click the link for the scheme where details like name, employee identity number, department, address, etc are to be filled. Details of family members will have to be entered thereafter.

A system generated link containing a login identity and a password confirming registration would be sent to the applicant, while the details would be forwarded to the drawing and disbursing officer (in case of employees) and chief treasury officer (for pensioners) for verification. Once this is done, an insurance identity card would be emailed to the applicant.

Source

"The system has fixed time for clearance of documents at the end of DDO/CTO. In case of delay, he would be promoted by SMS alerts and e-mails. The same system would send SMS to employees and pensioners to enrol themselves for the scheme," informed Mitra.

A call centre (dial 1800-1800-4444) will take care of complaints in case any hospital fails to honour the commitment.

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Reinsurance

ITI Reinsurance gets final Irdai nod to begin operations – The Economic Times – 30th December, 2016

Regulator Irdai has granted the certificate of registration to ITI Reinsurance, which will be the first domestic private sector reinsurer, according to a senior company official.

Last week, Irdai had granted R3 approvals to five global reinsurers to set up their branches in the country. They include US-based reinsurer Reinsurance Group of America (RGA), Munich Re and Hannover from Germany, Swiss Re from Switzerland and French reinsurance major Scor.

Irdai had also granted the R2 approval to another global reinsurer XL Catlin and the London-based specialized reinsurer Lloyd's and R1 approval to Gen Re (part of Berkshire Hathaway of Warren Buffet).
ITI Re is controlled by Sudhir Valia-promoted Fortune Financial Services.

"We have been granted R3 approval by Irdai. We have already brought in a substantial part of the required capital of Rs 500 crore to kick off operations and the balance amount will be brought in by March," ITI Re chief operating officer R Raghavan told PTI today.

Source

"To begin with, we will focus on general insurance and later on we will start reinsuring life insurance," he said, adding "we will begin with 2,000 staff."

The state-owned GIC Re is the only reinsurance company in the country today. The reinsurance market is estimated to be at around USD 2.5 billion.

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Regulations

Insurance brokers come out against IRDA norms – The Indian Express

With a host of global reinsurers set to start operations in India, the Insurance Brokers Association of India (IBAI), the lobbying arm of insurance brokers, has come out against the reinsurance regulations of the Insurance Regulatory and Development Authority (IRDA) and called a meeting with CEOs and CMDs of all general insurers on Thursday.

“IBAI would like to appeal to all the insurers that they strongly represent for an immediate cancellation and repeal of this regressive, anti-policyholder and anti-competitive regulation. IBAI is of the strong view that for a more balanced and policyholder-centric interpretation in line with principal objectives of the regulation, the

reinsurance order of preference regulations should be at least deferred for six months till the implications of the same are debated from a policyholder perspective,” it said in a letter to the CEOs of insurers, a copy of which was reviewed by The Indian Express.

“The members of the Association have deliberated on the matter and would like to call for an urgent meeting of all insurers and reinsurance brokers to discuss the impact of the subject matter and our approach to deal with the challenges,” IBAI said.

The Reinsurance Regulations on Order of Preference in regulation 28(9) of IRDA essentially moves the market from free competition to prescriptive right of first refusal (ROFR) to a handful of players with four different categories exercising this preferential order. “This is outright anti-competitive. Reinsurance costs would go up due to limited competition. This would directly affect the margins and capital availability of the insurance companies to grow. Insurance companies are already operating in a highly competitive direct market, however there will be very limited competition or choice on the reinsurance side,” it said.

IBAI said this would impact the entire insurance market and potentially threaten the stability of the financial system when the sector gets tested in times of natural disasters. “The proposed reinsurance regulations attack, at a fundamental level, the competitiveness and stability of the insurance and financial system. IBAI would seek that the paramount interest of any regulation, which is policyholder interest, should not get compromised,” it said.

However, global reinsurers said that not all brokers are demanding the changes but some have placed their agenda above the country’s interest. “The government and IRDA prepared the new regulations to develop a global reinsurance hub in India and Indian reinsurance premium in terms of forex which was earlier going outside the country can remain within the country. IBAI’s stand as described is completely misleading,” said a prominent global reinsurer which is setting up operations in the country.

KK Srinivasan, former member, IRDA, said: "Reports of brokers trying to find fault with the reinsurance laws and regulations are somewhat strange and gives rise to a suspicion of vested interests. The reinsurance laws and regulations, amongst other things, aim to ensure that reinsurers operate in the country as risk underwriters and not as mere 'fronting' companies. Even in this era of globalisation, most countries, including advanced follow a policy of nurturing domestic companies."

IRDA's regulations which were prepared last year had categorised the reinsurers into four slabs and has specified how an Indian customer has to deal with them in order of preference. Going by the order of preference, a customer has to first give preference to the state-owned GIC Re and then to the global reinsurers, including Lloyd's, which are setting up operations in the country. The general insurers and cross boarder reinsurers are placed in the third and fourth category. However, some brokers want cross boarder reinsurers to be treated on par with GIC Re and other global reinsurers to deal with India business.

"Our analysis establishes that the proportional treaty reinsurance programmes are significantly supported by various cross border reinsurers (CBR). Such a rule would certainly create chaos and move these markets away from India thereby threatening the completion of full reinsurance placement. This is a serious risk to the entire insurance market as this will significantly affect their capacity to write large risks in India and defeat the basic objective of reinsurance programme to create adequate capacity," IBAI said. Individual and corporate policyholders' cost, coverage, service will get severely compromised and innovation in wordings, products severely constrained, IBAI said.

Source

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Circular

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Report of the Implementation Group of Ind AS in Insurance Sector

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Online System For Obtaining Prior Approval And Intimation Regarding Governance Issues Of Broking Companies.

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Pension

CBDT notifies PF investment pattern – Business Line – 1st January, 2017

To provide tax certainty to private provident fund trusts, the Income Tax department has finally notified their new investment pattern. This comes more than a year after the Finance Ministry had tweaked the investment norms to allow up to 15 per cent of fresh accruals into EPF accounts into equity instruments.

"It shall be deemed to have come into force on April 1, 2016," said the Central Board of Direct Taxes (CBDT) in a recent notification. Fresh accretions to the funds would include un-invested funds from the past and receipts like contributions to the funds, dividend, interest, commission, and amount received on the maturity of investments made before April 1, 2015 and reduced by the obligatory outgo or withdrawals and interest during that fiscal, it said.

The investment pattern for Non-Government Provident Funds, Superannuation Funds and Gratuity Funds was notified by the Finance Ministry on April 1, 2015, and then by the Labour Ministry in June 2015. It came into effect in 2015-16. However, the notification from the CBDT was pending.

Apart from the Employees' Provident Fund (EPF), a number of companies choose to run their own PF trusts for employees for various reasons such as better returns and less hassle. However, they need to follow norms including the notified investment pattern for such schemes to be recognised under the Income Tax Act and receive the same tax treatment as the EPF.

'Welcome step'

Experts welcomed the move and said it was long pending. "While we were following the investment pattern of April 2015, the lack of an IT notification created a problem at the time of our annual audits. Though we were

Source

following the guidelines of the Finance Ministry, the investment pattern did not have the requisite backing of the tax laws. The issue was always flagged in the audit and compliance norms," said a manager of a private PF trust.

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Interest rate on PPF, Kisan Vikas Patra, other small savings plans unchanged – The Economic Times – 3rd January, 2016

The government has kept the interest rate on small savings schemes such as PPF and Kisan Vikas Patra unchanged for the January-March quarter, going against the expectations that the rates will be cut.

Investments in the popular public provident fund (PPF) scheme will continue to fetch an annual interest rate of 8%, the same as 5-year National Savings Certificate, the finance ministry said in a notification.

With banks cutting the fixed deposit rates following surge in deposits due to demonetisation, the interest differential with small savings schemes will widen making the latter more attractive.

Small savings rates are revised every quarter based on the movement in yields on government securities in secondary market. Kisan Vikas Patra (KVP) investments will continue to yield 7.7% per annum and mature in 112 months.

Sukanya Samriddhi Account Scheme, scheme for the girl child, will continue to give out 8.5% annually while it will be the same as 8.5% for the 5-year Senior Citizens Savings Scheme.

A savings deposit will fetch 4%, same as earlier while term deposits of 1-5 years will offer 7-7.8% that will be paid quarterly. The 5-year recurring deposit will continue to earn 7.3%. Most banks are offering less than 7% annual return on their deposits. The differential will keep small savings schemes attractive, but that should not worry banks flush with deposits due to the demonetisation.

Source

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Global

Nat CAT events hit the region the hardest last year – AIR – E-daily – 5th January, 2017

Asia bore the brunt of natural catastrophes in 2016, accounting for 56% of global Nat CAT losses last year while only 25% of these were insured, according to data from the world's biggest reinsurer Munich Re.

The overall losses due to natural catastrophes worldwide in 2016 were to the tune of US$175 billion, almost two-thirds more than those in 2015. Insured losses in 2016 were US$50 billion thus leaving an uninsured gap of US$125 billion.

Mr Torsten Jeworrek, member of the Board of Management of Munich Re, expressed his concern at the high percentage of uninsured losses, especially in emerging markets and developing countries. Data on natural catastrophe losses in 2016 were issued by the Germany-based reinsurer yesterday.

The costliest natural catastrophes of the year also occurred in Asia. There were two earthquakes on the southern Japanese island of Kyushu close to the city of Kumamoto ilast April (overall losses US$31 billion; proportion of insured losses just under 20%), and devastating floods in China in June and July (overall losses US$20 billion; only some 2% of which were insured).

In the last four years, 2016 was the costliest year in terms of catastrophic losses. But in terms of loss of lives, with 8,700 fatalities, 2016 was the year with the fewest fatalities after 2014, which had recorded 8,050 fatalities, the lowest in 30 years (1986: 8,600).

On the whole, during 2016, 750 relevant loss events such as earthquakes, storms, floods, droughts and heat waves were recorded, a number which is significantly higher than the 10-year average of 590.

The five costliest catastrophes of the year were the earthquakes in Japan in April, the floods in China in June and July, Hurricane Matthew in the Caribbean in September and October, floods in the US in August and a series of storms in Europe in May and June. North America with 160 events was hit by more loss occurrences in 2016 than in any other year since 1980.

Source

Head of Munich Re's Geo Risks Research Unit, Peter Höppe, said: "A look at the weather-related catastrophes of 2016 shows the potential effects of unchecked climate change".

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