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Martin Luther King Jr.

INSIDE THE ISSUE

Insurance Industry

Govt set to unveil farm, health insurance for masses - The Indian Express – 13th August 2015

Close on the heels of its success in launching banking, insurance and pension schemes, the Centre is gearing up to launch two more mass social security schemes to make healthcare affordable and tackle distress in the farm sector across the country.

The government is planning to come out with a universal health scheme and an exclusive all-in-one insurance product for the farming community as part of its ongoing efforts to bring people under the social security net. Prime Minister Narendra Modi is likely to announce universal health insurance plan on the Independence Day on Saturday which will ensure insurance cover to all members of a family under a single sum insured. Against the backdrop of rising incidents of farmer suicides in the country, the government's proposal for an exclusive all-in-one insurance product for the farming community is keenly awaited. The product, which will be called Unified Package Insurance Scheme (Bhartiya Krishi Bima Yojana), would combine nine features with mandatory crop insurance. However, farmers have to choose at least four other features to avail subsidy under crop insurance section, according to a draft paper prepared by the finance ministry.

While the draft report is at the discussion stage with all the key stakeholders, the government has proposed better features this time as earlier schemes did not have the desired results. According to the draft, the proposed policy incorporates various products like crop insurance, health cover, personal accident insurance, live stock/cattle insurance, insurance cover for agriculture implements like tractors and pumpsets, student safety insurance and life insurance. The scheme is basically targeted at providing financial protection to farmers, thereby ensuring food security, crop diversification and enhancing growth and competitiveness of agriculture sector besides protecting farmers from financial risks, the draft says.

"At present, the sum insured under a typical crop insurance scheme is the cost of inputs or the loan taken by the farmer. The claim is calculated by applying the shortfall in yield ratio to the sum insured. The government now seems to be thinking in terms of covering farmer's income loss," said former IRDA Member KK Srinivasan. A recent study by the private weather forecasting agency, Skymet, and industry body Assocham showed that less than 20 per cent of the total farming population in the country has crop insurance, thereby exposing a vast majority of the farmers to vagaries of weather. The draft paper on the universal health insurance scheme says there will be two kind of covers — with sum assured of Rs 50,000 and Rs 1 lakh — for which a customer may have to pay a premium of Rs 700 and Rs 1,300 respectively. The policy covers cashless hospitalisation for diseases contracted or injury sustained by the insured persons. Pre-existing diseases will be included after a waiting period of 24 months, the draft paper says.

The health insurance scheme will be available to all families not exceeding five members, including families headed by senior citizens in the country wherein entire family will be covered under a single sum insured. Four state-owned insurers (New India Assurance, United India Insurance, National Insurance Company, Oriental Insurance) and private players like ICICI Lombard, Bajaj Allianz, Iffco-Tokio Marine and HDFC Ergo are in talks with the government to finalise the fine print of the scheme, the draft paper says.

Source

Insurers shun M&A deals over tax uncertainty - Financial Chronicle - 13th August 2015

Prime Minister Narendra Modi needs to offer much more than just his best intentions to clean up India's whimsical tax regime to help convince insurers.

Companies from Allianz to American International Group are avoiding offering tax-liability coverage in India's cross-border mergers and acquisitions market because of a relatively high risk of disputes. None of the 21 general insurers operating in the country provides cover for tax risks arising from M&A transactions.

"No one is comfortable offering that product in geographies without a stable tax regime." Said Sushant Sarin, senior vice-president for commercial lines and broking at Tata AIG General Insurance, the local unit of the New York based insurer. "Demand for insurance cover on cross-border deals tax risks in India has been surging though."

More than a year after coming to power, Modi has failed to allay investor concerns over a law that allows authorities to make retrospective tax claims. Instead of repealing it, he promised to refrain from reviewing old deals, adding to the muddle as authorities face pressure to boost one of the world's lowest tax collection rates.

Tax indemnity insurance is purchased either by the buyer or seller involved in an acquisition, where a known tax issue has been identified during due diligence process. The insurer typically agrees to compensate for any additional taxes, interest or penalty that has to be paid by the insured in the transaction.

Cross-border deals involving overseas companies and their Indian units spark transfer pricing questions about how to value the transactions for tax purposes. Modi has blamed decisions by the previous government for some of the recent tussles.

Some of the companies embroiled in tax disputes with India's finance ministry include Nokia, Vodafone Group, Cairn India and Cadbury chocolate maker Mondelez International for total claoms of about $10 billion.

In the Nokia case, tax spats forced the company to suspend operations at its factory in Chennai last year, with thousands of workers offered voluntary retirements.

Source

The $3 billion case over capital gains from Vodafone's 2007 acquisition of Hutchison Whampoa's Indian Business is going into international arbitration even after India's top court ruled against the government's claim in 2012.

Back

Govt to start Suraksha Bandhan insurance drive - Deccan Herald – 11th August 2015

Banks and insurance companies will reach out to eligible bank account holders who are yet to be enrolled under the two insurance schemes — Pradhan Mantri Suraksha Bima Yojana (PMSBY) for accident and disability cover and the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) for a term life cover.

The special enrolment drive will begin on Raksha Bandhan day at the end of this month, the finance ministry said in a statement. "This 'Suraksha Bandhan' drive aims to take forward the government's objective of creating a universal social security system in the country," the statement said.

The envisaged social security initiative also includes the Atal Pension Yojana (APY), launched along with the two insurance schemes on May 9 this year.

APY addresses the issue of old age income security by facilitating regular contributions during the working life of the subscriber for a guaranteed pension at the age of 60.

Public service organisations supported by peoples representatives, field functionaries of government departments, and banks along with insurance companies, among others, are expected to participate in the efforts through outreach drives and camps in large numbers.

Source

The last date for enrolling under the PMSBY and PMJJBY schemes has been extended till September 30, and persons enrolling within this period would not be required to submit a certificate of good health for PMJJBY.

India: Govt carries out VAT probe into 16 insurers – Asia Insurance Review

The Indian Finance Ministry has announced that the Directorate General of Central Excise Intelligence is investigating 16 insurance companies in Chennai for wrongfully availing themselves of Central VAT (Cenvat) credits amounting to INR12-25 billion (US$189-389 million). A statement from the Finance Ministry said: “During the course of investigations, it has been noticed that the car manufacturers enter into agreement with the insurance companies for appointing them (the latter) as Preferred Car Insurance Companies (PICs) and instruct their car dealers to sell the insurance policies of PICs only. Such PICs pay commission on the value of the insurance policies to the car companies (in the range of 2-3%) and the car dealers (in the range of 15-45%).”

The ministry statement pointed out that regulations of the Insurance Regulatory and Development Authority of India (IRDAI) do not allow any person other than insurance agents and insurance brokers approved by IRDAI, to sell vehicle insurance policies. Furthermore, the maximum brokerage/commission payable for selling insurance policies is capped at 10% of the premium. “To circumvent these regulations, the insurance companies ask the car dealers to raise invoices to show that the car dealers have provided the insurance companies services such as advertisement, renting of computers/ printers, training, arranging customer awareness programmes, etc,” the statement said.

As these services were never provided by the car dealers, their invoices are not permissible documents under the Cenvat credit and service tax rules for the availing of Cenvat credit by the insurance companies, said the ministry. “These facts have been confirmed by the employees of the insurance companies and the car dealers in their voluntary statements,” the ministry added. The 16 insurers were not named.

Source

Back

IRDAI Regulation

IRDAI to finalise corporate agent norms in 3-4 weeks - The Financial Express – 13th august 2015

Insurance Regulatory and Development Authority of India (IRDAI), over the next three to four weeks, plans to finalise the norms for corporate agents under bancassurance. The draft guidelines says corporate agents, instead of having tie-ups with a minimum of two insurers, may now choose from one to a maximum of three insurers in any particular line of the business.

As of now, banks are permitted to function as a corporate agency for only one insurer each in life and non-life sectors. “The guidelines have been approved by the board. After the approval, it has to go through the legal vetting before coming to the gazette,” said TS Vijayan, IRDAI chairman, on Thursday, after launching the sale of insurance policies of HDFC Life through common service centres (CSCs). The proposed norms will be effective from April 1, 2016, he added.

“The notification may come in three to four weeks time. But insurance companies will be given some time to adjust with the new norms. From April 1, the new norms will be in full force,” he added. On the insurance industry, Vijayan said the sector may grow 15% in the current financial year. The domestic life insurance sector is biggest in the world with about 36 crore policies which are expected to increase at a compound annual growth rate (CAGR) of 12-15% over the next five years. The insurance industry plans to increase reach to 5% by 2020 and could top the $1-trillion mark in the next seven years, says an India Brand Equity Foundation (IBEF) report.

Source

Back

Irdai to hasten online approvals - Business Standard – 7th August 2015

The Insurance Regulatory and Development Authority of India (Irdai) plans to make the approval process for online products simpler and faster. With a separate process for filing applications on these, it says it is trying to ensure they do not undergo the same rigorous process as offline products to get approved, and are approved within 30-40 days.

An insurance product first goes to the regulator, which approves the features and pricing, after which it can be brought to the market for sale. “Offline products take at least four to six months to be approved. The same process might not be viable for an online insurance market, where customers look for new products and riders on a regular basis. Hence, the portfolio requires to be updated every few months," said the head of products in a mid-size life insurance company.

For customers, too, the proposal form would get simpler, with fewer questions, so that the turnaround time to buy insurance is considerably reduced. The regulator has also constituted two groups, one in life insurance and one in general insurance, to explore opportunities in e-commerce. It is also expected to clarify on the presently grey area of digital signatures.

In a circular, the regulator has said it is inclined to facilitate the promotion of e-commerce in the insurance space, also with the idea of aiding the government's Digital India project. The two groups will look at e-commerce opportunities in insurance, recommend technological solutions, and suggest regulatory and other facilitation for growth of e-commerce in insurance and so on.

The life group has Sandeep Bakshi, of ICICI Prudential Life, a Life Insurance Corporation of India representative, Pramod Khanna of Hero Corporate Services, Jignesh Gandhi of NSDL Insurance Repositories and Gautam Kumar, Deputy Director, Irdai, as convenor.

The general insurance group would have Tapan Singhal, chief executive (CEO), Bajaj Allianz General Insurance; a New India Assurance representative, Tarun Samant, CEO of Tata Motors Insurance Brokers; S V Ramanan, CEO, CAMS Insurance Repository, and N M Behara, deputy director, Irdai, will be convenor.

Source

Life insurers said reforms in the sector are needed. "The online market is distinct from offline space. Based on customer feedback, we should be allowed to tweak product pricing and features in online products," said a chief executive.

Back

Life Insurance

Life insurance distribution transforming rapidly - Financial Chronicle – 11th August2015

Witnessing significant growth between FY 2001 and 2008 to economic slowdown and the game-changing Ulip regulations of FY 2010, the Indian life insurance industry has seen it all. From FY 2010 to 2015, however, the industry did miss the heightened activity and buzz associated with the annual results. At the same time, this period has been significant in raising the bar and leverage the long-term prospects and opportunities, especially from the lens of a consumer.

Distribution landscape

Most life insurance companies began operations at the back of a strong agency distribution network. Years of tough business environment pushed insurers to break the status quo and look for other cost efficient distribution models. Alongside rationalisation of the agency management framework, bancassurance emerged as a preferred channel of growth for insurers. Soon alternate channels like corporate agents and brokers also gained prominence. Over the years, the industry has seen various regulations come up with the intent of increasing distribution efficiencies for players. Prominent among these are the regulations on open architecture. In March, Irdai came out with an exposure draft, which capped the business from single insurers for business through bancassurance. However, in May the new draft exposure toned down the previous version and removed the clause with respect to cap of business for banks from single insurers. Regulatory movement around fixing the distribution framework continues. With adoption of technology, branch addition also has slowed to contain cost. Digital has been another important trend. We may see a lot of reforms in this front in the next half of the year as well.

Digitalisation & tech

Digitalisation is a mega trend globally and India too has begun its digital revolution journey. According to E&Y, insurers are investing in technological advancements to strengthen their distribution and customer relationships. Insurers across geographies are investing in technological solutions to improve front-end sales, distribution and customer service besides enhancing back-end operational efficiency and expense management. In India too the industry is witnessing game-changing developments in the form of improved distribution infrastructure, adoption of new channels and differentiated product offerings, backed by new technology initiatives.

Recreating value

With growth slowing in the last few years, most insurers have shifted focus to introducing customer centric reforms and improving cost ratios. The customer centric reforms were three fold – defining the customer, offering a compelling product suite and providing a seamless service delivery model. We have seen strong and efficient exception handling (moments of truth), simple and easy to understand processes with low TAT and high convenience. Consequently we have seen the conservation ratio and 13-month persistency ratio improve for most players. Increase in sales of long–term traditional products has also contributed in improving persistency ratios. Most insurers have also made steady efforts for improving cost ratios by rationalizing branches and agency force.

New growth path

With increase of FDI limit to 49 per cent, the promoters of most life insurers would get a chance to unlock value by either partially selling the stake to their JV partners or through IPO. The ordinance further empowers Irdai to regulate key aspects of operations in areas like solvency, investments, expenses and commissions, in keeping with global best practices. There is also added impetus in the areas of assignment of policy, nomination and right selling. It further strengthens the underwriting processes and will increase faith amongst the customers that their claims will be honored without fail. Penalties have increased considerably; this will obviously make the selling and underwriting processes more stringent.

Source

Back

Agent commissions in insurance are linked to the policy's premium payment term – Mint – 11th August 2015

One of the changes instituted by the Insurance Laws (Amendment) Act, 2015, was to give the insurance regulator more powers to decide the remuneration (commission) for an insurance intermediary from an insurance policy. Limits on commissions for an insurance agent have been described under section 40A of the Insurance Act, 1938.

Staying within the overall limit, the Insurance Regulatory and Development Authority of India (Irdai), in its linked and non-linked product guidelines of 2013 linked commissions to the premium payment term (PPT) of a policy to ensure that agents selling long-term products get higher commissions. PPT is the term during which the policyholder has to fund the policy by paying premiums, whereas policy term is the period during which the insurance cover is active. So, if the policy term is 30 years and PPT 15 years, the policyholder will have to pay premiums for 15 years for an insurance cover of 30 years. Until Irdai comes up with new commission limits, the industry is following caps prescribed in product guidelines.An agent's commission comes from the premium. Thus, it's important to know how much an insurer can charge from your money to pay its intermediary.

LIFE INSURANCE

According to the Insurance Act, 1938, an insurer that is less than 10 years old can pay up to 40% of premium as commissions in the first year to the agent who sells the policy. In the second and third years, it could pay a renewal commission of up to 7.5% of the premium and for the remaining term, 5% of premium. For a company older than 10 years, first-year commission is capped at 35%.

According to new rules, an insurer can give commission up to a maximum of 40% in the first year (35% for companies older than 10 years), but only if the agent sells a policy with a PPT of 12 years or more. If she sells a policy with a 5-year PPT, she can get up to 15%. This rises by 3 percentage points with increase in PPT by a year. So, for a policy with a PPT of 6 years, first-year commission limit will be 18%, 21% for PPT of 7 years, and 33% for 11 years. Commission limit from second year onwards remains unchanged. For single-premium policies, commission is capped at 2% of premium. For brokers, cap on commission remains the same as it is for agents in first year till the PPT is 10 years. If higher PPT, maximum is 30%. In subsequent years, she is entitled to up to 5% of premium.

PENSION PLANS

Pension plans, on the other hand, come with a lower commission because they are easier to sell, and the rates have been prescribed so in the insurance Act. For single-premium plans, commission is 2%. For a regular

Source

premium policy, commission limits are unchanged. Commission payable in the first year is capped at 7.5%; and in subsequent years, 2%. The stipulated limits are the maximum that an insurer can charge towards commissions. But the actual commission would vary according to product.

Back

Agent attrition remains high, life insurers lose 60,000 in Q1 – The Economic Times – 11th August 2015

The life insurance industry continues to be hit by high agent attrition rates with their numbers coming down to 20.07 lakh in the June quarter from 20.67 lakh from the March quarter. The industry comprising 24 players, which had started the year with total agency force of 20.67 lakh, declined by 60,000 agents to 20.07 lakh agents by end June, according to the data from the Life Insurance Council. While 1,13,824 agents have joined various companies, 1,74,564 have exited the industry, it added.

The number of agents as on June 30, 2014, was 21.77 lakh, which came down to 20.07 lakh as on June 30, 2015. The largest chunk of hit was taken by the state-owned Life Insurance Corporation (LIC) which has lost 79,000 agents, but could add only around 50,000 agents during the reporting period. "The Corporation which has an agency force of 11,63,000 as of now, wants to increase it to 15 lakh," LIC chairman SK Roy had said earlier. LIC could not be reached for comments on the latest numbers.

Private sector life insurers, having a total agency force of 9 lakh led by Bajaj Allianz Life, had lost 95,000 agents. HDFC Standard Life has got 70,000 agents on its roll and it has already issued Id cards to all of them as per new regulation. "We have already issued Id cards to all of our 70,000 new agents as per new regulations and now the things are stabilising," HDFC Standard Life managing director and chief executive Amitabh Chaudhry told PTI.

"Still, the problem is that it's very difficult to survive as sales are not happening and hence the ever- increasing attrition," he said. "We get 18 per cent of our business through agents. Agents are must without which industry can't grow," he added. Each of Reliance Life and Tata AIA Life has lost over 15,000 agents during the reporting period. ICICI Prudential Life among the private sector life insurers has the largest agency force at 1,36,319 by adding 4,000 agents during the first quarter.

Source

Back

ULIP funds into G-Secs: IRDAI proposes but Life Insurance Council disposes - The Pioneer – 10th August 2015

In a bid to make the Government's kitty cash-rich, Insurance Regulatory and Development Authority of India (IRDAI) has proposed to put in a portion of investors' money of Unit-Linked Insurance Plan (ULIP) into the Central Government Securities (G-Secs), but Life Insurance Council is not happy with the regulator's move. Insurers feel that the regulator's proposition may discourage their prospective investors, thereby hitting a big loss for them in such schemes, and they have sought a modified draft guidelines from the regulator soon in this regard. In the recent draft guidelines issued by the IRDAI last month mandatedthat at least 25 per cent of ULIP funds should be invested in the Central Government securities. Life insurers were also asked to send their final view of the draft norms by July end to the regulator.

"Our member of finance and investments had already one meeting with members of Life Insurance Council and other industry participants recently and we discussed all pros and cons about the ULIP draft guidelines. We have not yet finalised the norms as we have to take a balanced approach for both the insurers and investors. We hope it will come by the end of August," a senior IRDAI official told The Pioneer. Members of Life Insurance Council, an apex body of life insurers, and other representatives from the sector have sought a change in the draft ULIP norms from the regulator in favour of both insurers and investors.

However, it is learnt that insurers are not ready to follow the IRDAI diktat to put 25 per cent of their ULIP investment in the G-Secs to risk their business as they fear the potential investors in such scheme will run away if their hard-earned money is parked in the G-Secs. They feel that the returns for the investors are least expected from such Government-owned platforms.

"We have sent a representation before the IRDAI on the issue of its recent draft on ULIP investment, which if implemented, will make it mandatory for us to put 25 per cent of the investments in the G-Secs. We have said that it will be difficult for us to put 25 per cent of ULIP investment in the G-Secs as it is upto the policyholders who can decide the quantum of investment in the ULIPcase," said V Manickam, Secretary General, Life Insurance Council. Even now, the insurance sector invests around 16 per cent of the total ULIP corpus in G-Secs. According to the council, the total corpus of ULIP stands at `3.6 lakh crore out of which around `60,000 crore is into the G-Secs.

There are several types of ULIPs, including traditional plans and other funds, which have different risk profiles as per the plans. While some invest in equity, others go for a balanced approach, and still others invest only in debt products as well. As ULIPs are eligible for tax benefits under Section 80C of Income-Tax Act, insurers expects that more investors are easily inclined to such schemes to invest their money in it. "If the regulator forces us to park 25 per cent of the funds into G-Secs, then it is very hard to convince our investors for investment," said an insurer.

"We have requested that if the regulator still wants to hike investments in Central G-Secs, they should go for traditional plans only as they are less risky than others," said Manickam. According to the rules, 50 per cent of the premium collected from traditional policies has to be invested in Central as well as State Government securities. As far as the ULIP case is concerned, the IRDAI may finalise its norms soon to clarify its mode of investments pattern. "The guidelines have been approved by the board. After the approval, it has to go through the legal vetting before coming to the gazette," Chairman TS Vijayan told a news agency recently.

Source

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Health Insurance

Health cover – hunt for better options - The Hindu Business Line – 9th August 2015

Health insurance policies have become expensive. After the 2013 regulations, when IRDAI made life-long renewal in health policies compulsory and barred insurers from loading on renewal premium of individuals after a claim, health insurers have revised premium rates. In some cases, premiums have gone up by 20-25 per cent. While the new regulations are welcome, many policyholders are not able to cope with the higher premium costs. Discontinuing the policy will not be wise.

Here are some suggestions to lower your insurance costs:
Port to another insurer
If you do not want to continue with your old policy, you can switch to another insurer. Regulations allow porting or switching of health insurance policies without loss of the waiting period credit and 'no claim bonus'. But note that you have to approach the new insurer with the porting request at least 45 days before your policy expires. If you are unable to do so, ask your existing insurer to cover you for the intermediate period by paying the proportionate premium.

Generally, insurers agree for a three-month extension. In the meanwhile, you can hunt for cheaper policies online. Health insurance policies have been standardised now. Almost all the policies today have only a 30-day initial waiting period and no sub-limits on claims under charges like room rent or surgeon fees. So, with more or less the same features, there are more than a dozen health policies available in the market. If you are 35 years old, a Rs 5 lakh sum insured policy is available for an annual premium of Rs 4,500 and also for Rs 10,000.

Most insurers, such as ICICI Lombard and MAX Bupa, which charge higher premiums, have only a two-year waiting period for pre-existing diseases compared with three-four years for others.

But, if you do not mind waiting for one or two years, you can go for cheaper policies. So, do not discontinue your health policy. You will always have cheaper options in the market, unless you have a poor medical history.

Top ups
If you want a higher insurance coverage but do not want to cough up a substantially higher premium, buying a 'top up or a 'super top up' health plan is the best option. These plans will cover you, once hospitalisation expenses exceed the agreed deductible (or threshold) limit.

The deductible amount can be paid from your pocket or through a regular hospitalisation policy. The difference between a 'top up' and a 'super top up' plan is that the former will pay only if each claim that you make in a year exceeds the threshold limit, while the latter will pay as and when your cumulative outgo exceeds the threshold. The benefit of these plans is that the premium works out far cheaper compared to regular health plans. Take, for instance, a family of three - husband, wife and kid who want a health insurance of Rs 10 lakh. If this is done through a single hospitalisation plan, the premium will be Rs 15,000 per annum. But if the family takes a hospitalisation plan for Rs 5 lakh and a super top up plan for Rs 5 lakh with a Rs 5 lakh deductible, the total premium will be Rs 12,171. If they go with a top up plan, the premium will work out even cheaper. Insurers such as New India Assurance, United India Insurance and Religare offer super top up plans.

Look for family floaters

Family floater plans are a good option to save on premium costs, especially if you are a young couple. Say, suppose you are 35 and your spouse 30, a separate health plan for both of you for sum insured Rs 5 lakh each will cost about Rs 10,500. But, given that both of you are young, the full sum insured under the two policies may not be used. So, take a family floater plan for Rs 5 lakh. This way, you and your spouse can individually or together claim for up to Rs 5 lakh. For one Rs 5-lakh family floater, the premium will be Rs 7,900.

Insurers today, however, offer options to cover a large family under one single cover to end the hassle of servicing premium requests for multiple policies. Max Bupa, for instance, has an option to include 19 members of a family, including in-laws, niece and nephew, in a single policy, says Somesh Chandra, Chief Operating Officer, Max Bupa Health Insurance. The other advantage of floaters is that if you include your child in the plan, at a later stage when the child moves out of the floater policy on attaining 21/23 years, he/she will get continuity benefits on buying a new policy from the same insurer.

Source

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General Insurance

GIC framework in the works to nip insurance frauds in the bud – The Financial Express – 11th august 2015

To ensure greater transparency, the General Insurance Council (GIC) is working on introducing fraud mitigation measures for the sector. Efforts are under way to create a comprehensive database of fraudulent data from all general insurance companies so that strict action could be taken against the guilty, said officials. Currently, there is no fraud management policy for insurance in India and action is limited to rejection of claims or cancellation of policy. But the fraud mitigation measures are likely to provide for legal action against the accused. “GIC is trying to ensure that each and every general insurance company shares its data on fraudulent cases with each other through a comprehensive database to be compiled at the council. Further, the council is looking at creating an institutional mechanism to bring fraudsters to book so that it becomes a deterrent to others,” said R Chandrasekaran, secretary general, GIC.

Developed nations like, say, the UK, have a fraud information bureau, which deals with organised fraud in the insurance industry. While there is no exact number on fraud claims in Indian general insurance, senior officials say fraud cases comprise 8-10% of total claims in other countries. Said the CEO of a leading general insurance company: “I think these measures are needed urgently. Today, there is minimal action against frauds, such as rejection of claims, or none at all. Apart from that, even recoveries and legal action are not very common. This move will help bring fraudsters to book.” The GIC’s Executive Committee has also created sub-committees for code of conduct and ethics, complaints and grievances and control of expenses of management. As a part of the recent restructuring of the GIC Executive Committee, G Srinivasan, CMD, New India Assurance, was named its chairman. Eight other members were also selected to the committee. Industry participants, however, say that the database would take a few more months to be completed but, once that is done, it would be easier to bring fraudsters to justice.

Source

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Use-and-file may soon be permitted for general insurance products - Business Standard – 8th August 2015

The Insurance Regulatory and Development Authority of India (Irdai) may allow general insurance companies to implement the use-and-file method to get products into the market.

This will be the first step to implement the working group report on File-and-Use (F&U) guidelines. This would mean customers would get products quicker, which could then be tweaked based on feedback.

Industry officials said that the regulator has accepted major portions of the working group report that was submitted to it. The report had suggested that insurers can launch pilot products "for a short period of time in a defined pilot area with defined exposure limits on a pilot basis, after informing Irdai."

"The regulator has given a go-ahead and would start implementing suggestions of the report soon. We have also sought permission for getting approval for a product after gaining experience and later finalising it," said a general insurance official associated with the group. Under the existing file-and-use system, all products should be filed with Irdai before these can be used.

If use-and-file comes into play, a product is first launched in the market and then a declaration is sent to the regulator giving out finer details of the product and its pricing. With the group suggesting pilot products, only after customer feedback is collected and features finalised will details will be sent to the Authority.

The working group report has said that developing innovative products requires experimentation, testing, refinement and finalisation. However, the current system does not afford the freedom of testing and refinement; it jumps from experimentation to finalisation, the report adds.

While setting up the working group to review the file-and-use norms for the general insurance sector in April 2014, Irdai had said a review of the extant guidelines would be undertaken.Since the current classification is based on 'how the product is priced', the working group has recommended a classification on the basis of 'who buys a product'.

In order to respond to customer requirements faster, insurers have been demanding a use-and-file system for certain products to co-exist with the file-and-use system.

Keeping in mind the average consumer is not fluent in the complexities of insurance, the working group has suggested there be just two classes of products - retail and commercial. The former is meant for retail customers and the latter for customers other than individuals (companies, trusts, associations, societies, government entities, etc).

According to the report, pricing flexibility has been a vexed issue between the insurers and Irdai. The working group has recommended that pricing flexibility be allowed by the Appointed Actuary to the extent of acquisition cost and profit margin built in the product, subject to Irdai approval. There would be an overriding condition that the combined ratio of the product should remain below 100%.

Source

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Survey & Report

Global catastrophes cause losses of $37 bn - Business Standard – 12th august 2015

The economic losses from natural catastrophes and man-made disasters in the first half of 2015 (calendar year) were to the tune of $37 billion, according to preliminary estimates by Swiss Re.

The global insurance sector covered 45 per cent ($16.5 billion) of these losses, which is higher than the previous 10-year average cover of 27 per cent.

In the first half of 2015, around 18,000 people lost their lives in disaster events — a sharp increase compared with 4,800 in the year-ago period. The earthqua-kes in Nepal and a heat wave in India and Pakistan claimed the highest number of victims.

Economic losses from natural catastrophes alone were Rs 33 billion in the period under review. This is less than $54 billion in the first half of 2014 and the average first-half year loss over the previous 10 years at $99 billion. Of the overall insured losses, $12.9 billion came from natural disasters — less than the average first-half year loss of the previous 10 years at $25 billion. In the first half of 2014, the figure stood at $20 billion.

The costliest natural catastrophes for the insurance sector resulted from severe winter weather and thunderstorms in the US and Europe. Disaster events claimed many lives in the first six months of 2015. In all, around 18,000 people lost their lives.

There were 9, 000 fatalities in the earthquakes that struck Nepal in close succession in April and May, the largest loss of life due to any natural catastrophes so far this year. The economic losses in Nepal are estimated to be around $5 billion. Of those, only around $160 million were insured losses.

"The tragic events in Nepal are a reminder of the utility of insurance," says Kurt Karl, chief economist at Swiss Re. According to him, insurance cover does not lessen the emotional trauma that natural catastrophes inflict, but it can help people better manage the financial fallout from disasters so they can start to rebuild their lives.

India and Pakistan were hit by a severe heat wave in May and June with temperatures touching 48°C, the highest since 1995. It is estimated that 2,500 people died in India and 1,500 in Pakistan as a result of extreme heat.

Source

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Global News

Indonesia: Takaful market grows with more demand – Asia Insurance Review

Islamic life insurance premiums soared by 50.35% to IDR2.12 trillion (US$156.8 million) in the first three months of this year, compared to the corresponding period last year, according to the Financial Services Authority (OJK) in its report on the first quarter of this year. The takaful life insurance industry increased in its assets and investments by 35.2% and 37.5% to IDR19.39 trillion and IDR 17.70 trillion, respectively, during the quarter, reported The Jakarta Post.

These figures back the results of a recent survey carried out by private life insurer Allianz Life Indonesia in Jakarta, Bandung in West Java, Padang in West Sumatra and Samarinda in East Kalimantan, which showed a high demand for Islamic insurance products. "As many as 97% of around 300 respondents agreed that halal investments were important," said Allianz Indonesia's Head of Market Management Ms Karin Zulkarnaen.

"Furthermore, 93% of the respondents told us that they felt comfortable with Shariah products because they provided transparent investments and profit-sharing schemes in addition to the management, which is according to Islamic principles," she said.

Source

Ms Karin added that with the Muslim population forming about 87% of Indonesia's total population of 252 million, the country provided a large market for Shariah insurance.