



Insurance Institute of India

C - 46, G Block, Bandra-Kurla Complex, Mumbai - 400051

INSUNEWS

- Weekly e-Newsletter

27th Nov - 3rd Dec 2015

• Quote for the Week •

“One best book is equal to hundred good friends. But one good friend is equal to a library”

Dr. A.P.J. Abdul Kalam

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Insurance Industry

FDI in insurance up 152% to \$341m - The Times of India - 3rd December 2015

Foreign direct investment in the insurance sector more than doubled to \$341.43 million during March-September this year, commerce and industry minister Nirmala Sitharaman said.

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New ECB norms allow foreign insurers, funds to finance cos - The Times of India - 1st December 2015

In a move that will improve availability of cross-border funds for Indian businesses, the Reserve Bank of India (RBI) has revamped norms for external commercial borrowings (ECBs). The new norms allow long-term offshore lenders such as insurance companies, pension and sovereign wealth funds to lend to Indian companies. Under the new norms, it has also become easier to raise rupee-denominated foreign debt where the currency risk is borne by the investor.

[Source](#)

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Insurance Regulation

New investment norms: IRDA may bring clarity on instruments, procedures - The Indian Express - 29th November 2015

The Insurance Regulatory and Development Authority (IRDA) is likely to come out with new investment guidelines for insurance companies next month, giving more clarity on the instruments and procedures. According to a senior IRDA official, the regulator's board will discuss the guidelines in December. This comes at a time when pressure is mounting on insurers to invest in Tier-I bonds of banks and some insurers are sitting on huge losses arising from their equity investments in banks.

The bone of contention is whether IRDA should allow insurers to invest in additional Tier-I (T-1) bonds of banks. “We have not allowed insurers to invest in additional Tier-I bonds. Still, we can look at it once the insurers get some kind of guarantee for their investment in Tier-I bonds,” an official said.

IRDA has asked the insurers to invest in corporate bonds only after ensuring that those bonds are having good credit ratings. The RBI has allowed insurers to invest in T-1 bonds of banks in view of their huge capital requirements under Basel-III plan.

“Forcing IRDA's hands to permit insurers to subscribe to T-1 capital bonds is not such a smart idea. It will just be shifting the solvency issues of banks to insurers. It may be true that banks, more particularly PSU banks who are reportedly saddled with huge NPAs, will require huge capital to comply with Basel-III (solvency) norms,” said KK Srinivasan, former Member, IRDA.

If the banks can write off such capital (T-1 bonds) or convert them into equity when they are in stress as reported, all that the insurers will be left with in their hands will be junk investments. "It is useful to remember that what insurers are largely investing is not their funds but the funds of the policy holders," he said. "Why should insurers take up the risk of banks?" While providing export and trade credit guarantees in favour of banks, insurers got into trouble in recent years. Banks lost some Rs 3,000 crore and insurers reportedly repudiated the claim of the banks as not in compliance with policy terms. IRDA then moved in to prohibit granting of credit guarantees in favour of banks.

According to Srinivasan, irony of NPAs of PSU banks is that they have happened right under the nose of RBI officers who are in the boards of PSU banks. "Thus in a way RBI becomes directly responsible for the banks decisions on credits that became NPAs. A regulator should not be part of the apex business decision making body (board of directors) of regulated entities," Srinivasan said.

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Insurance sales via kirana stores takes backseat - Business Standard - 28th November 2015

Insurance sales via *kirana* or neighbourhood grocery stores has now taken a back seat as the regulatory body is extending timelines for these entities to acquire the skills to sell these products. It was earlier proposed that grocery stores, petrol pumps and phone booths would be allowed to sell simple insurance policies.

In 2014, Insurance Regulatory and Development Authority of India (Irdai) in a draft proposal had said that micro insurance products could be sold by local grocery stores, public call offices (PCOs), fuel outlets, and ration shops in rural areas.

Here, the idea was to improve the penetration levels of insurance and deepen financial inclusion. This proposal, mooted as early as 2001, was intended to have local shopkeepers in rural areas sell policies to their customers based on each one's needs. However, insurers had expressed apprehensions about this move since they said that specialised skills would be required to sell a financial product.

Micro insurance refers to general or life insurance policies offering an assured sum of Rs 50,000 or less. The average size of this category is Rs 2,000-4,000 a policy. This is aimed at coverage for low-income households in rural areas. Senior officials associated with this development said that at present, those in *kirana* stores were not skilled enough to sell need-based insurance.

Other individuals associated with insurance distribution need to undergo training. Currently, insurance agents need to undergo mandatory training of 50 hours. Licensing rules by Irdai stipulate agents have to undergo 50 hours' training for a basic licence and 75 hours' training for composite licence.

Source

Insurance agents also have to undergo a 25-hour practical training to renew their licence, valid for three years. Composite agents will have to undergo practical training of 50 hours for renewing their licence.

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Irdai grants lifeline to general insurance firms - Business Standard - 28th November 2015

General insurance companies struggling to pay their service tax dues of about Rs 2,500 crore have got a lifeline from the Insurance Regulatory and Development Authority (Irdai).

The tax dues have arisen because of the common practice of paying commission to auto dealers, which apparently violates some insurance norms. However, insurance companies find it difficult to break the practice in the competitive market for selling car insurance. To address this issue and to "bring clarity and transparency in payouts made to the auto dealers by insurers", Irdai has set up a committee headed by Suresh Mathur, senior joint director of Irdai.

The members of the seven-member committee include representatives from ICICI Lombard, Bajaj Allianz and New India Assurance. The other members are from Maruti Insurance Brokers and from Hyundai Motors.

Commenting on the formation of the committee, a senior official of the Central Board of Excise and Customs, has expressed surprise. "We were not kept in the loop, despite the service tax wing having served a tax notice on all these companies." According to the officer, Irdai should have asked the companies to make the tax payments before offering any help to the sector. The tax official said the suo-motu formation of a committee by

the regulator will make it difficult for them to pursue the demands as the companies would ask the department to wait for the report.

In August this year, the indirect tax department with the Directorate General of Central Excise Intelligence detected service tax evasion in motor vehicle insurance. The finance ministry in a release said all 16 general insurance companies operating in India were suspected to be engaged in it. "All of them are being investigated for wrongly availing Cenvat Credit on the bogus invoices of the car dealers." It is a common practice for car manufacturers to tie-up with insurers to set up 'preferred car insurance companies'. Under this, auto makers advise their dealers to offer insurance policies only through insurers with whom they have a tie-up. These insurers, in turn, pay two-three per cent commission on the value of the insurance policies to the car companies and 15-45 per cent to car dealers. The tax department considers the latter illegal, because insurance commissions are supposed to be capped at 10 per cent. To get around this, car dealers raise invoices to show they have provided services such as advertisement, renting of computers / printers, training, and arranging of customer awareness programmes.

"As these services were never provided by the car dealers, their invoices are not permissible documents under the CENVAT Credit Rules, 2004 and the Service Tax Rules, 1994 for availing Cenvat credit by the insurance companies", the tax department argues. "While we have received confirmation from two or three insurance companies that they have changed (the practice of giving commission to car dealers), we are yet to receive confirmation from most others," said a letter addressed to the chiefs of all general insurance companies written by R Chandrasekaran, secretary-general, General Insurance Council. The committee will give its report in two months, after which the regulator will decide on setting up industry-wide guidelines.

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Insurers can't invest in risky bonds: Irdai - Business Standard - 28th November 2015

The Insurance Regulatory and Development Authority of India (Irdai) has no plans to allow insurers to invest in additional Tier-1 capital bonds given the risk associated with these instruments, said V R Iyer, member, finance and investment, at Irdai. "They are risky and hence we have not allowed insurers to invest in them. We are still in talks and could look into it if some sort of a guarantee is given," said Iyer on the sidelines of the India Risk Forum organised by Dun & Bradstreet India here on Friday.

These bonds have a provision called 'loss absorbency' clause, which means if there is some stress or loss, the particular bank can write off such investments or convert them into equity. Irdai is yet to take a final view on unit-linked insurance plan (Ulip) funds' investment in government securities, although some relaxation might be given. In its draft norms on investments, Irdai said not less than 25 per cent of Ulip funds could be invested in Central government securities. Iyer, however, clarified that some tweaking in the percentage could be done, but this requirement would not be done away with.

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Health Insurance

Govt to verify insurance claims under MSBY - The Times of India - 2nd December 2015

In a bid to check malpractices, the Mukyamantri Swasthya Beema Yojna (MSBY) cell of the health department has said it would take stringent actions against hospitals that have presented inflated bills while seeking insurance claims.

It has come to the notice that while private hospitals instantly file patient admission entry they fail to upload the hospitalization bills. Government hospitals, on the other hand, are following similar exercise but give permanent excuse of paucity of staff and insufficient infrastructure to upload bills and other documents.

Since April, the insurance company has disbursed claims of Rs 5.4 crore under the scheme. In some cases, payment has been held due to alleged malpractices and non-adherence to norms. In past two months, the insurance company has given showcause notices to five major hospitals of Uttarakhand for violation of the MSBY. "Most of the hospitals have failed to abide by the basic guidelines. In some cases where there are some doubts, we are issuing showcause notices. We are simply abiding by the guidelines of the memorandum of understanding (MOU). We have barely Rs 1 crore pending at our end, which is in transit currently," said Sanjay Joshi, nodal officer, United India Insurance.

Till date, about 20,600 claims have been filed by 160 empanelled hospitals of Uttarakhand. Of these claims, 51% forms are incorrectly uploaded, and in the rest cases the documents are under the scanner of the insurance company.

A meeting of the health department, hospital authorities and the insurance company was held on Wednesday, wherein it was decided that the insurance company will assist the top four hospitals of the state in ensuring that the payment is not held.

Source

Dr Prem Lal, who heads MSBY, said, "We have heard the matter from both the ends and have come to the conclusion that all the suspected documents/bills will be verified for smooth functioning of the scheme."

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India: 95% of the middle class underinsured for healthcare – Asia Insurance Review

Around 95% of middle-class Indians lack adequate health insurance to cover some of the most common procedures and ailments in the country, according to a report by BigDecisions.com, one of India's leading personal finance advice platforms.

Consumers above 45 who are at higher risk of health problems and closer to retirement, are least prepared for emergencies as they are under-insured by an average of 69%, reported the Indiainfoline website citing the report.

The BigDecisions study is based on data obtained from 10,000 consumers across eight major cities, aged 25 to 45+ and in the income bracket ranging from INR600,000 (US\$9,000) to INR3.6 million annually.

"An increased appreciation of rapidly rising healthcare treatment costs does not seem to have translated into Indian consumers being better prepared. This is either because we, as consumers, believe that we are a genetically healthy bunch or are unaware of just how expensive medical procedures have become," said Mr Manish Shah, co-founder and CEO of BigDecisions.

The report further points out that it is getting more expensive to treat some of the most commonly occurring diseases in India. Amid an inflationary environment in India for at least a decade, prices four years ago were not exactly low. The fact that they have again risen, by double digits in some cities, is noteworthy. The costs are expected to increase further.

"We analysed 700,000 insurance claims over four years to understand incurred treatments costs, inflationary trends, claims and reimbursements for various groups of ailments within large Indian cities across different hospital types," said Mr Gaurav Roy, co-founder and COO of BigDecisions.

"We further analysed data entered by 10,000 decision makers on our website to understand their current health insurance cover versus their requirements, and found coverage to be abysmal. These findings are derived from an involved decision-making process where many of these users eventually go on to make health insurance purchases with our partners for amounts to make good their shortfall," he adds.

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General Insurance

Decision on new crop insurance scheme deferred - Business Standard – 3rd December 2015

Cabinet today deferred the decision on new crop insurance scheme, which aims to keep premium burden on farmers below 3 per cent, seeking more discussions on the issue. "The Cabinet deferred the decision on new crop insurance scheme proposal of the Agriculture Ministry. The decision was deferred as it wanted more discussion on the issue," sources said.

The decision could not be taken in the absence of Home Minister Rajnath Singh, who has contributed significant inputs to the new scheme, they added. In a Cabinet note, the Agriculture Ministry has proposed a premium of 3 per cent required to be paid by farmers. And for the benefit of farmers in vulnerable and disaster-prone areas, the ministry has recommended premiums without any cap unlike the existing scheme MNAIS.

Of the total premium fixed by the insurers under the existing crop insurance schemes NAIS and MNAIS, farmers are presently paying a premium of up to 3.5 per cent and 8 per cent, respectively, and the rest is borne

by the government. On an average, insurance firms are charging an overall premium in the range 1 to 20 per cent for crops.

Under the Modified National Agricultural Insurance Scheme (MNAIS), premiums are capped at 13 per cent in most vulnerable areas for kharif crops, while at 11 per cent for rabi crops. The ministry has proposed rolling out of the proposed scheme in the ongoing rabi season that started from October. About 20 per cent (40.27 million hectare) of the total farm land is insured under the existing schemes, as per government data. Maximum area insured is in Rajasthan at 12.26 million hectare, followed by Bihar, Karnataka, Maharashtra, Gujarat, Uttar Pradesh and Andhra Pradesh.

Major crops insured are oilseeds, rice, wheat, pulses and coarse grains. The Centre is implementing various farm insurance schemes since 1985 to insulate farmers against agri-risks. At present, it is offering three crop insurance schemes -- National Agricultural Insurance Scheme (NAIS), Modified NAIS and weather-based crop insurance scheme.

Source

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Insurers offer limited coverage for terror attacks - Business Standard – 28th November 2015

The world recently woke up to the gruesome news of a terrorist attack in Paris, one of the most visited places on earth. Security and intelligence agencies are not ruling out a similar planned attack in other parts of the world, including on Indian shores. Opting for an insurance plan that covers terrorist attacks looks more relevant now than ever before.

In general insurance, however, a lot of ambiguity persists when it comes to coverage of losses arising out of terror attacks. Most general insurance plans like travel insurance, home insurance, and enterprise insurance have restrictions. Plans that offer terrorism are often selective in their coverage.

Insurers' definition

Insurance companies have a clear definition as to what constitutes an act of terrorism or terrorist attack. 'An act that causes any kind of physical violence where there is a loss of life or property' is deemed as a terrorist attack. Usually, all attacks that are carried out by either individuals or a group of people together to weaken any established government are included in it.

Source

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Insurers expect spike in terrorism cover - The Hindu Business Line – 27th November 2015

The demand for insurance cover for terrorism is likely to see a spike in the wake of global terror threats after the Paris attacks. Premiums for such covers are also likely to rise. "We expect to see a rise in the number of individuals and firms opting for insurance covers for terrorism, war and political violence due to heightened awareness after these incidents," said a senior official at the General Insurance Corporation.

Cover against terrorism is typically offered as an add-on with property insurance, but is also available as a standalone policy. Industry experts say that currently only major corporations and big hospital chains opt for property insurance that covers terrorism.

Sanjay Radhakrishnan, Chief Executive, JLT Independent Insurance Brokers, said: "If you look at the Paris attacks, we are now seeing attacks on crowded spots, such as malls, restaurants and cinema halls, which may not be buying these policies." He expects smaller informal establishments, such as restaurants and malls, among others, to now opt for property insurance policies that cover terrorism.

Insurance pool

At present, general insurers provide property insurance from the Indian Market Terrorism Risk Insurance Pool. The pool was formed as an initiative by general insurers in April 2002 after terrorism cover was withdrawn by international re-insurers post the 9/11 attack in Mumbai.

Insurers say premium for terrorism cover has been on the decline during the last few years as the pool has seen no major losses. The capacity of the pool has also swelled to Rs. 4,500 crore.

However, insurers feel that the increase in global turmoil and risk perception may result in a rise in premium for property insurance.

Threat perception

According to Mukesh Kumar, Executive Director, HDFC ERGO, “While we don’t see any immediate impact as these incidents do not have a direct bearing on India, the increased number of such incidents and continued increase in the threat perception may impact terrorism premiums.”

Insurers also expect more travellers to additionally opt for coverage of terrorism risk in their travel insurance policies. JLT’s Radhakrishnan said that unless explicitly mentioned, travel insurance policies do not cover claims resulting from terrorism.

Source

[Back](#)***India: Political risk cover premiums shoot up by 100-600% - Asia Insurance Review***

An increase in global political uncertainty and turmoil has led to a rise in the cost of political risk insurance covers by 100-600% being taken by Indian companies, particularly those with investments overseas.

Mr Ketan Kale, Practice Leader - Credit, Political and Security Risk, JLT Independent Insurers Brokers, said that in markets where there is political instability or threats, the premiums are higher by up to 600%, reported the Business Standard.

Political risks include expropriation, currency inconvertibility, political violence, sovereign defaults and other specific perils. Under security risks, kidnap & ransom, apart from political violence including terrorism, war/civil war, riots, property damage and business interruption, are included.

Mr Sanjay Radhakrishnan, Chief Executive of JLT Independent, said that several Indian multinational companies are now taking such covers, with an increase in terrorism and related risks in several parts of the globe. There was a rise in awareness among manufacturing as well as engineering, procurement and construction companies about such global risks. He said: "There is a substantial surge in demand for this cover from large Indian corporates with operations in the Middle East, Africa and even some Far Eastern nations."

Threats from Islamic State militants, the Syrian conflict, violence by Boko Haram and the migrant crisis in Europe were some of the recent risks that have companies worried.

Source

JLT Independent is a global specialist insurance broker that began operations in India in December 2014 as a 74-26 joint venture of JLT and Sunidhi Group.

[Back](#)**Survey & Reports*****Awareness of travel insurance high, usage low: ICICI Lombard study - The Economic Times – 2nd December 2015***

Despite high awareness levels regarding travel insurance amongst younger travellers, most shy away from buying the cover during their trips abroad, a survey conducted by private general insurance major ICICI Lombard has found.

Over 90 per cent of millennials polled said they were aware of travel insurance, out of which only 40 per cent respondents had purchased the cover. The awareness level has gone up significantly from last year's survey, when it stood at 80 per cent.

For over 75 per cent respondents, travel agents were the source of information about travel covers, followed by friends or relatives (48 per cent) and portals as well as search engines (36 per cent).

An overwhelming majority (79 per cent) of those surveyed was clear that the main purpose of buying travel cover was to take care of medical emergencies.

Insuring their baggage was a key consideration for close to 60 per cent respondents. Among those who were not votaries of travel insurance, 38 per cent were of the view that there was no need for separate overseas travel cover. Another 27 per cent did not buy travel insurance as they felt it only covers accident, theft and loss of baggage, but not medical support. A quarter of such respondents cited expensive premiums as the reason for not opting for one.

Source

The survey, conducted by ICICI Lombard and market research agency GFK recently across six metros in the country, was aimed at studying the travel trends and behaviour of millennials. It polled 1049 individuals in the age group 25-35 years who had travelled abroad during the last one year.

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Despite underwriting profit, liability insurance yet to grow - The Economic Times - 29th November 2015

The domestic liability insurance market is still underdeveloped with a paltry penetration of 0.01 per cent of GDP even though underwriting profits have remained strong, says a report. India is the sixth largest liability market in Asia with an estimated premia of USD 254 million in 2014.

Liability insurance is a part of the general insurance system of risk financing to protect the insured from the risks of liabilities imposed by lawsuits and similar claims. Rates in the liability segment have been stable over the last couple of years with the exception of medical malpractice, where they increased by 10-20 per cent in 2014 and general liability is the biggest line of business currently here, a report by global reinsurer Swiss Re said.

Recent trends suggest that after the enactment of the new Companies Act, there has been an uptick in corporate interest in directors and officers liability cover in the country, the report said, adding in addition, more engineering, pharma and auto companies are buying product liability insurance and demand for professional indemnity is also increasing.

Even as the liability insurance market in Asia may be small currently, it is expected to offer significant growth opportunities, it said. In 2014, liability premiums in the region were USD 12 billion, accounting for 3.8 per cent of total non-life premia in Asia and 8 per cent of global liability premia. The liability insurance market grew by 10 per cent in Asia between 2007 and 2014, the report added.

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Source

Premiums up 7.7% after falling for 5 years: Report - Mint - 29th November 2015

The global economy is expected to strengthen next year. The US and the UK are currently growing at a moderate pace of close to 2.5%, and real gross domestic product (GDP) in Japan and the Eurozone at a more subdued 0.7% and 1.5%, respectively. The four economies are all expected to see slightly better growth in 2016. Emerging markets will grow by about 5% annually in the next two years, according to a report by global reinsurer Swiss Re, named Global insurance review 2015 and outlook 2016/17.

The global economy faces three main headwinds: slower growth in China, lower commodity prices and an imminent rate increase by the US Federal Reserve. The headwinds pose a risk to the baseline forecast, but are unlikely to derail the improving growth momentum. Among emerging markets, business and consumer sentiment in India have improved significantly on expectations of a strong push towards economic reform and liberalisation. Non-life insurance premiums grew by 7.9%, up from 2.7% in 2014, due to a stronger economy.

Life and health insurance premiums are increasingly concentrated in emerging Asia, which had a 69% share of the emerging market total in 2015. Growth was strong in India as well, with an acceleration due to a revival of unit-linked insurance products and improved performance in bancassurance. India is expected to contribute to a healthy growth of non-life premium in emerging Asia in the coming two years.

In fact, demand for primary non-life insurance should increase globally in the next two years given the improving economic outlook. The emerging markets will be the main drivers, with an expected recovery in Central and Eastern Europe and incremental growth improvement in other regions. Non-life real premium growth in emerging markets is expected to improve in 2016 and 2017, rising by 7.9% and 8.7%, respectively, after a 5.6%-gain in 2015. Emerging Asia will see the strongest annual growth of 12% in 2016 and 2017, and Latin America the weakest (1% and 2.5%, respectively).

Urbanisation and growing wealth will support overall insurance sector growth in the emerging markets. Life and health premiums are projected to see stable and robust growth of nearly 11% in the next two years. Again, emerging Asia will have the most robust growth of about 13%.

In-force premiums and new business

In the advanced markets, real premium income growth is estimated to have slowed to 1.9% in 2015 from 4.2% in 2014. The slowdown would have been more pronounced if not for the overall benign inflation rate environment, driven by the sharp decline in energy prices. Growth decelerated or continued to decline in most continental European markets, and premiums grew at a slower pace in Canada and Japan.

In the US and the UK, premium income returned to growth in 2015. In emerging markets, premium income rose by an estimated 10.6% in 2015 after a 7.4%-gain in 2014. Growth was strongest in the emerging Asian countries (up 13.2%). In China, premiums were up 12% and in India by 7.7%, the latter after five years of contraction and stagnation primarily due to regulatory changes. In India, there was an important development in March with the passing of the Insurance Laws (Amendment) Bill, which raised the foreign direct investment (FDI) ceiling in Indian insurers to 49% from 26% and allowed foreign reinsurers to establish branch offices in India. These are expected to significantly facilitate foreign participation.

Indian insurance market

India is the sixth largest liability market in Asia with estimated premiums of \$254 billion in the year 2014. But the market is still underdeveloped, with penetration of just 0.01% of GDP. Underwriting profits, though, have remained strong. Rates in liability have been stable over the past couple of years with the exception of medical malpractice, where they increased by 10-20% in 2014. General liability is the biggest line of business currently. Recent trends suggest that after the enactment of a new Companies Act in 2013, there has been an uptick in corporate interest in directors and officers liability cover.

More engineering, pharmaceuticals and automotive companies are buying product liability insurance. Demand for professional indemnity is also increasing. On-ground practices by insurers has improved with many choosing to use mobile data and mobile technology to track potential claims, identify policyholders, reduce graft, speed up claim verification and processing, and lower the cost and headcount required for processing claims.

There is much scope in India for life insurance as well. India has the second largest mortality protection gap in absolute terms, at \$8.6 trillion. Mortality protection gap is the difference in actual protection, compared to the protection needed to sustain a household at its same living standard after the death of a breadwinner. The aggregate mortality protection gap in 13 Asia-Pacific markets widened to \$58 trillion in 2014 from \$42 trillion in 2010.

Risk scenarios

The downside risks to global growth are currently balanced, with some bias to the downside. Last year, the Euro area was a main concern but in 2015, China and the emerging markets are more worrisome.

The upside risk, still 10%, is not as large in growth terms as the downside risk, particularly in the Euro area and emerging markets. The possibility of a major regional downturn is also 10%, but it lowers growth by more than the upside lifts growth. Prospects for the US housing market have improved and the Eurozone is on surer footing, but China and commodity-exporting countries are hurting. Japan's prospects have not changed. In the downside scenario, yields on government bonds would stay near current levels through to mid-2016 and perhaps longer, while equity markets would decline and credit spreads would widen.

In the upside scenario, US housing starts would reach some 1.5 million units in 2016, up from about 1.1 million this year. Consumers remain confident, so vehicle sales would top 18 million, up from about 17 million in 2015. In Europe, the UK economy would grow by more than 3%, based on domestic demand, and Spain by over 4%. Italy's recovery would gather steam on the back of the Prime Minister's reforms and Germany would also begin more economic reforms, boosting business confidence and investment.

Finally, China's policymakers would seek to put growth on a more sustainable path by reforming state-owned enterprises. Under the baseline upside scenario, insurance premium growth will be close to GDP growth in the advanced economies and generally higher than GDP growth in the emerging markets, which will benefit from increased insurance penetration.

In the downside scenario, there is greater stress from lower premium growth and pressure on asset valuations. The upside scenario would be more favourable for the re/insurance industry. Investment yields would improve and premium volumes would rise along with economic activity.

IRDAI Circular

Source

IRDAI updated List of Third Party Administrators as on 26th November, 2015

Source

Irdai issued terms and Conditions of Life Products for F.Y. 2015-16

Source

IRDAI issued exposure draft regarding Amendment to Regulation 28(9)-Order of preference of cessions by Indian insurers - IRDAI's (Registration and Operations of Branch offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015

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Global News

South Korea: Insurers expected to improve capital management – Asia Insurance Review

Impending regulatory changes for South Korean insurers are expected to improve the insurers' capital and risk management capabilities, according to Fitch Ratings in a new report.

For instance, the South Korean regulator plans to strengthen industry capitalisation and financial strength through the implementation of a tighter regulatory capital regime. The confidence level used to calibrate various insurance risk factors would increase to 99% from 95%. This would push South Korean insurers to devote more attention to risk management, said Fitch in its report "2016 Outlook: South Korean Insurance".

With the increase in regulatory capital requirement, South Korean insurers are likely to turn to the debt/capital markets for funding if needed. The industry debt leverage ratios for both Korean life and non-life insurers are below 2%, indicating room for more issuance, noted the international rating agency.

Meanwhile, the life insurance sector is challenged to continue managing the negative spread burden, as the low interest-rate environment lingers. This arose from insurers offering high guaranteed rates on endowment products in the 1990s. Life insurers have gradually diluted the effect of that legacy on their portfolios by issuing more policies with low or non-guaranteed benefits. Fitch thinks that the extent of these negative spreads is unlikely to be as severe as that in the 1990s.

Fitch expects Korean life and non-life insurers to continue seeking overseas business expansion opportunities to supplement modest domestic business growth. The emerging markets in Asia, such as Indonesia and China, which have more attractive business potential, are likely investment destinations.

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Australia: Qantas to offer health insurance wef 2016 - Asia Insurance Review

Australia's flag carrier airline, Qantas, and one of the country's largest health insurers, nib, will offer up to 11 million Qantas Frequent Flyers a more rewarding health insurance experience. The target is to obtain a 2-3% share of the Australian private health insurance market on a revenue basis in the programme's first five years. Called Qantas Assure, the new programme will reward people with Qantas Points for being active and fit when it launches in the first half of 2016, according to a Qantas statement.

Qantas CEO Alan Joyce said that Qantas Assure, which forms part of the growing Qantas Loyalty suite of businesses, would bring together nib's leading health insurance products with the market reach and consumer insights built up over almost three decades of the Qantas Frequent Flyer programme.

"Qantas Loyalty has shown it knows how to attract, reward and retain members for their choice of airline, credit card or retailer. By partnering with nib, we believe there is a huge opportunity to do the same thing in the A\$19-billion (US\$14 billion) private health insurance market and drive significant growth for the Loyalty business."

Through the deal, nib will provide its health insurance, risk assessment and underwriting capability while Qantas Loyalty provides its marketing, data and customer retention expertise. The result will be a range of Qantas Assure-branded health insurance products and the ability to earn Qantas Points through the Frequent Flyer program. Value will be shared equally between the parties.

Mr Joyce said wearable technology would have a key role in rewarding members for even moderate increases in levels of physical activity.

“This is not about simply earning points when you pay a bill. It’s about offering members the opportunity to be rewarded for being more active, which is something that also has a direct impact on improving your wellness.” From next year, Qantas Frequent Flyer members who purchase a Qantas Assure policy can download a wellness app that syncs with popular forms of wearable technology. The app will log the number of steps taken in a day and then deposit Qantas Points into their Frequent Flyer account. These points can then be used with over 400 partners for flights, shopping or towards the health insurance premium itself. Members will be able to choose from a variety of daily or weekly targets depending on their lifestyles, with the number of points earned increasing with the size of the target.

CEO of Qantas Loyalty, Lesley Grant, said: “The idea behind Qantas Assure came from our members telling us they want to be rewarded for leading a more active lifestyle. They also want to feel more engaged in the health insurance experience rather than just paying their monthly premium or making a claim.

nib’s Managing Director, Mr Mark Fitzgibbon, said the partnership with Qantas is one of the most innovative partnerships ever offered in the Australian private health insurance market.

He said: “As a health insurer we are obviously strong believers in encouraging our customers to be fit and active.

“The relationship with Australia’s most recognised brand, allows us to tap into their avid Qantas Loyalty membership to further grow our business, but equally this partnership allows Qantas to leverage our claims management and extensive underwriting expertise.”

Source

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