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"Unless we remember we cannot understand"

E. M. Forster

INSIDE THE ISSUE

Insurance Industry

RBI permits banks to act as insurance brokers - The Financial Express

Seeking to increase insurance penetration in the country, the Reserve Bank today allowed banks to act as brokers for insurers, set up their own subsidiaries and also undertake referral services for multiple companies. "Banks may undertake insurance agency or broking business departmentally and/or through subsidiary,...," RBI said in the guidelines for entry of banks into insurance business. The banks have also been allowed to set up subsidiaries and joint venture companies for undertaking insurance business with risk participation, it said.

They can also act as corporate agents without seeking prior approval from the RBI. However, they will have to comply with IRDA guidelines. Under existing bancassurance guidelines, a bank can act as a corporate agent and sell policy of only one life insurer and one non-life insurance company. The new guidelines allow banks to act as brokers permitting them to sell insurance policies of different insurance companies. The guidelines follow an announcement made by the former Finance Minister P Chidambaram in 2013-14 Budget.

"Banks will be permitted to act as insurance brokers so that the entire network of banks' branches will be utilised to increase the penetration of insurance," the Budget had said. There are about 87 commercial banks in the country with 1.2 lakh branches across the country.There are 52 insurance companies operating in India; of which 24 are in the life insurance business and 28 are in general insurance business. In addition, GIC is the sole national reinsurer.

There has been a long pending demand from the insurance industry to allow banks to act as insurance brokers. Regulator IRDA has already issued guidelines in this respect. According to the RBI guidelines, banks are not allowed to undertake insurance business with risk participation departmentally and may do so only through a subsidiary/JV set up for the purpose. Banks which satisfy the eligibility criteria (as on March 31 of the previous year) may approach RBI to set up a subsidiary/joint venture company for undertaking insurance business with risk participation, it said.

Elaborating on the condition for setting up subsidiary/joint venture company, it said, the net worth of the bank should not be less than Rs 1,000 crore and the CRAR of the bank should not be less than 10 per cent. The level of net non-performing assets should be not more than 3 per cent, it said, adding the bank have made a net profit for the last three continuous years. The track record of the performance of the subsidiaries, if any, of the concerned bank should be satisfactory, it said.

"It may be noted that a subsidiary of a bank and another bank will not normally be allowed to contribute to the equity of the insurance company on risk participation basis," it said. For banks undertaking insurance broking through a subsidiary or JV without risk participation, the the net worth of the bank should not be less than Rs 500 crore after investing in the equity of such company. RBI approval would also factor in regulatory and supervisory comfort on various aspects of the bankâ€™s functioning such as corporate governance, risk management, etc," it said.

For setting up JV, a comprehensive board approved policy regarding undertaking insurance distribution, whether under the agency or the broking model should be formulated and services should be offered to customers in accordance with this policy. The policy will also encompass issues of customer appropriateness and suitability as well as grievance redressal.

"It may be noted that as IRDA Guidelines do not permit group entities to take up both corporate agency and broking in the same group even through separate entities, banks or their group entities may undertake either insurance broking or corporate agency business," it said. "It must be ensured that no incentive (cash or non-cash) should be paid to the staff engaged in insurance broking services by the insurance company," it added. Violation of the above instructions will be viewed seriously and will invite deterrent penal action against the banks.

Source

Back

Private insurers welcome RBI's move to ease interest rates - Financial Chronicle

Welcoming a 25 basis points rate cut by the Reserve Bank, private insurers said that it is an important turn in the interest rate cycle, which will boost both equity as well as debt market, and it is in line with the government policy to boost growth.

"Today's monetary policy measure by the Reserve Bank to cut the repo rate by 25 basis points marks a turning point in the interest rate cycle and complements fiscal policy steps already being taken by the government to boost growth," Future Generali India Life Insurance Chief Investment Officer Nirakar Pradhan said.

Going forward bank lending rates are expected to come down and the lower cost of borrowing would enhance corporate earnings, he said. Bharti AXA Life Insurance Chief Investment Officer Sandeep Nanda said, "The rate cut by RBI, signals the beginning of the interest rate reversal cycle and is a positive move for the equities markets."

The timing of the rate cut came as a surprise and bonds reacted positively with yields falling by 10 to 12 bps, he added. Kotak Mahindra Old Mutual Life Insurance Fund Manager, Debt, Kunal Shah said, "RBI has re-iterated that once the stance changes subsequent move will be consistent to the direction. Hence, we believe RBI will ease further by 25bp by March 2015.

"RBI also has data on inflation expectations survey, which confirms the drop to single digit future inflation expectations." If global commodity prices remain soft and fiscal consolidation continues, RBI might cut rates by another 50-75bp from current level in calendar year 2015, he added. Nanda said that going forward, further rate cuts depending on the quality of fiscal consolidation will help in the revival of growth in cyclical sectors and see bond yields falling further.

Source

Back

Banks unlikely to act as insurance brokers - The Hindu Business Line

Most banks that have promoted insurance companies or have existing joint venture agreements for insurance partnerships are unlikely to seek a broking licence whereby they can sell policies of multiple insurance companies. Anup Rau, CEO of Reliance Life, said unless mandated, banks are unlikely to take on the broker licence as most of the big public and private sector banks have promoted insurance ventures and are unlikely to disturb that arrangement.

RBI regulations

Last week, the Reserve Bank of India released enabling regulations for banks to act as insurance brokers and offer their customer choice of products from different insurers or be tied to one company as a corporate agent. Sanjeev K. Gupta, Executive Director (Corporate Centre) and CFO of Axis Bank, said they have a corporate agency relationship with Max Life and will continue with this arrangement. Currently, the bank has no intent to become an insurance broker.

According to Subrat Mohanty, Senior EVP — Strategy & Customer Relations, HDFC Life Insurance, banks may not be keen as brokers as there are inherent risks in owning up the selling process and mis-selling to the customer. Also, he said, broker remunerations are slightly lower than corporate agency distribution for banks. Many big lenders such as ICICI Bank, HDFC Bank, SBI, IDBI Bank, Bank of Baroda, Canara Bank, Bank of India, and Punjab National Bank have promoted insurance companies.

Insurers feel that while banks that are promoters of insurance companies may not be keen, some banks that are focussed on fee-based income such as foreign banks may be desirous of acting as insurance brokers. The insurance industry is divided between those who have exclusive tie-ups with banks and the newer companies that have been struggling to find a bank distribution partner.

Wider insurance products
Manoj Jain, CEO and Whole-time Director of Shriram Life Insurance, said that public sector banks that have not promoted or entered into joint venture insurance partnerships may be keen (to float an insurance broking arm) as they will be able to provide a wider bouquet of products from different insurers to their customers.

Source

Anuj Agarwal, MD and CEO of Bajaj Allianz Life Insurance, said that they are awaiting feedback from banks. He said the guidelines are a positive development for insurers as some of the provisions for banks under the broking route have been relaxed such as having a separate department for selling insurance products.

Back

Banks say no to insurance broking - Financial Chronicle

Banks have refused to give up their corporate agency license to become insurance brokers. This came as a response after the Reserve Bank of India issued (on Thursday) the final guidelines permitting banks to undertake insurance broking business departmentally or by setting up a subsidiary/joint venture.

Banks told Financial Chronicle that they found the regulations onerous. Since the banks have floated insurance companies through joint ventures with own significant stakes in them, they would continue to sell policies of their subsidiary insurance companies. P K Gupta, deputy managing director and chief financial officer of State Bank of India, said, “We are not looking at becoming an insurance broker. It is a matter of trust and convenience. SBI bank customers are normally comfortable with the same brand and therefore we want to continue to sell products of our own companies (SBI Life and SBI General Insurance).”

Arun Tiwari, chairman and managing director, Union Bank, said, “By becoming an insurance broker we may be able to provide a wider choice of insurance products to our customers but the risks will increase manifold. The insurance broking regulations are onerous and bring a lot of fiduciary responsibility compared to the corporate agency model.”

“Besides providing training our staff to sell a vast gamut of insurance products of multiple companies, we will have to conduct customer due diligence, have a full time designated principal officer for the broking company in the rank of a general manger and would be held responsible for any mis-selling. We are not geared up to offer insurance broking,” added Tiwari. Union Bank and Bank of India have floated a joint venture with Dai-ichi Mutual Life Insurance called to Star Union Dai-ichi Life Insurance.

R K Gupta, executive director, Bank of Maharashtra said, “We have no plans to become an insurance broker. We will continue as a corporate agent of Life Insurance Corporate of India (LIC). We refer our customers to agents of LIC who are responsible for the insurance sale. Our accountability and responsibility will increase manifold for which we are not prepared.”

Ashish Vohra, senior director and chief distribution officer at Max Life Insurance said, “My sense is that there will not be a lot of interest at this point of time as banks priorities are expanding into SME and mid market segment, penetrating the under banked areas, lending, chasing rural targets and customer service. Over the years when the banking sector becomes saturated, they may look at insurance broking as has been witnessed in several countries.”

Under the existing insurance regulations, a bank is allowed to act as a corporate agent and distribute policies of one life and one non-life insurer. By becoming an insurance broker, a bank can sell policies of multiple insurance companies. While an agent represents the insurer, a broker represents the customer. There are nearly 55,000 bank branches that have never sold a life insurance policy.

As per the final RBI norms, a bank wanting to offer broking would have to train its staff to sell the products of multiple insurers, and will carry fiduciary liability in their books. The norms state that the net NPA of a bank should be less than three per cent of overall assets to be eligible for insurance broking, a bank can enter insurance broking only if their capital to risk (weighted) assets ratio is 10 per cent and above, and the net worth of the bank should not be less than Rs 1,000 crore.

There are many banks that have floated joint venture insurance companies and hold significant stakes in them. Insurance companies floated by banks would find a conflict of interest in the broking idea said head of a private life insurer. For instance ICICI Bank holds 74 per cent stake in ICICI Prudential Life and ICICI Lombard General Insurance, State Bank of India holds 74 per cent stake in SBI Life and SBI General, HDFC Ltd (mortgage lender) holds similar stake in HDFC Life and HDFC Ergo General Insurance, Kotak Bank holds 74 per cent stake in Kotak Life Insurance. Besides IDBI Federal Life Insurance, Star Union Dai-ichi Life Insurance, India First Life Insurance, Canara HSBC Life Insurance also have banks as their promoters.

The remuneration too is lower for a broker. While, as a corporate agent, a bank can earn up to 40 per cent (35 per cent in case the insurance company they represent have completed 10 yrs of operations) of the first year premium as commission for selling a life insurance policy while as a broker, it would be entitled to a maximum of 30 per cent of the first year commission. Once the policy turns up for renewals, an individual agent and corporate agents can earn up to 7.5 per cent of the premium amount in the second and third year and up to five per cent in the fourth year onwards till the maturity of the policy while as a broker, banks will earn a maximum of 5 per-cent renewal commission from the second year of the policy.

Insurers without banks as promoters had long been demanding that banks be allowed to enter insurance broking. This is because in roping a bank as a distribution partner, an insurer gets ready made access to the customer base of the bank, access to large branch network of the bank pan India (especially in the case of nationalised banks), and cost effective distribution. According to an analyst, as a thumb rule, the cost of a retail agency, corporate agency and broking channel is 1.2 to 1.5 times a bancassurance channel provided the traditional/integrated bancassurance channel is practiced where the bank employee sells the insurance policy along with normal banking products.

Internationally, in countries such as Singapore, Malaysia, Indonesia, and many European countries the bancassurance channel is most cost effective compared to traditional models of distribution such as retail agency, broking, corporate agency and Independent Financial Advisors. Take for instance, SBI Life Insurance company using the bancassurance model was able to breakeven in the fifth year of its operations and has been making profits consistently.

Source

Back

India: Lloyd's wants Insurance Bill passed first – Asia Insurance Review

Lloyd's, the world's largest insurance market, has said that it is keen to enter India and is upbeat over the reform momentum of the country's new government. However, it will wait for the Indian Parliament's approval of the Insurance Amendment Bill before setting up operations in the country, according to Lloyd's Chairman, Mr John Nelson. Mr Nelson, speaking to The Economic Times, was referring to the Insurance Amendment Bill which was to have been introduced in Parliament last month. Protests by opposition lawmakers on a range of issues delayed proceedings. The government had listed 37 Bills to be debated and passed during the winter parliamentary session, which began on 24 November 2014 and ended on 23 December. Instead, legislators in both houses of Parliament managed to pass only 11 bills, according to India's Ministry of Parliamentary Affairs.

Among the 37 Bills, one of the most crucial on the government's reform agenda was the Insurance Amendment Bill, which had been delayed since 2008. If passed, the new law would raise the limits on foreign investment in insurance to 49% from the current 26% and permit foreign firms to invest in reinsurance companies. In lieu of the passing of the Insurance Bill, the government approved an ordinance giving effect to the provisions of the Bill. For the ordinance to have permanent effect, it has to be passed by Parliament within the first half of this year. Mr Nelson said: "We've seen the ordinance which is helpful; but we are waiting now for the Act." He expressed the hope that the Bill would be passed within the first six months of this year.

"In the meantime, we are discussing with the regulators – the IRDA – the detail of the regulations that will surround the introduction of international insurance in the Indian market," he added. He cited several favourable factors in India including its strong and robust economy and a business-friendly political leadership. "The slight frustration has been the time it's taking to introduce the Insurance Amendment Bill," he said, adding: "It's been difficult to get it through Parliament. We are hopeful this will now happen."

Source

India: Banks against becoming insurance brokers - Asia Insurance Review

Banks in India are refusing to drop their corporate agency licences to become insurance brokers, in a response to the central bank's release last week of guidelines permitting the lending institutions to undertake insurance broking business. Executives of several banks say that they find the broking regulations onerous. Several banks have established insurance companies through joint ventures with significant stakes in them. They intend to continue to sell policies of their subsidiary insurance companies as agents of the latter.

Mr P K Gupta, Deputy Managing Director and Chief Financial Officer of State Bank of India (SBI), told Financial Chronicle: “We are not looking at becoming an insurance broker. It is a matter of trust and convenience. SBI bank customers are normally comfortable with the same brand and therefore we want to continue to sell products of our own companies (SBI Life and SBI General Insurance).”

Mr Arun Tiwari, Chairman and Managing Director of Union Bank, said: “By becoming an insurance broker we may be able to provide a wider choice of insurance products to our customers but the risks will increase manifold. The insurance broking regulations are onerous and bring a lot of fiduciary responsibilities compared to the corporate agency model.” He added that if the broking model was adopted, the bank would have to appoint a full-time designated principal officer for the broking company in the rank of a general manger and would be held responsible for any mis-selling.

Under existing insurance regulations, a bank is allowed to act as a corporate agent and distribute policies of one life and one non-life insurer. By becoming an insurance broker, a bank can sell policies of multiple insurance companies. While an agent represents the insurer, a broker represents the customer. Under the final Reserve Bank of India guidelines, a bank wanting to offer broking would have to train its staff to sell the products of multiple insurers, and will have a fiduciary liability to customers. There are financial requirements to meet too such as a minimum net worth.

The remuneration too is lower for a broker. As a corporate agent, a bank can earn up to 40% of the first-year premium as commission for selling a life insurance policy; while as a broker, it would be entitled to a maximum of 30% of the first-year commission. When a policy is renewed, an agent can earn up to 7.5% of the premium amount in the second and third year and up to 5% in the fourth year onwards till the maturity of the policy; while as a broker, banks will earn a maximum of 5% renewal commission from the second year of the policy.

Source

Back

India: Rules issued for banks to act as insurance brokers - Asia Insurance Review

Seeking to increase insurance penetration in the country, the central bank - Reserve Bank of India (RBI) - has issued final guidelines to allow banks to act as brokers for insurers, set up their own subsidiaries and also undertake referral services for multiple companies.

"Banks may undertake insurance agency or broking business departmentally and/or through subsidiary,...," RBI said in its guidelines for entry of banks into insurance business. Banks are also allowed to set up subsidiaries and joint venture companies for undertaking insurance business with risk participation, it said.

They can also act as corporate agents without seeking prior approval from the RBI. However, they will have to comply with guidelines of the Insurance Regulatory and Development Authority of India (IRDAI).

The new guidelines allow banks to act as brokers permitting them to sell insurance policies of different insurance companies. The guidelines follow an announcement made by the former Finance Minister P Chidambaram in 2013-14 Budget.

According to the final RBI norms, a bank can enter insurance broking only if their capital to risk (weighted) assets ratio is 10% and above, and the net worth of the bank should not be less than INR10 billion (US$162 million). In addition, the net non-performing assets (NPAs) of a bank should be less than 3% of overall assets to be eligible for insurance broking.

Many public-sector banks will be rendered ineligible because of this clause. According to bankers, their priority is now to tackle the rise in NPAs and improve the bottomline, rather than venture into a new sector.

Bancassurance currently follows a corporate agency structure. This means that banks sell insurance as a corporate agent and these regulations allow each bank to sell insurance products of only one life, one general and one health insurance company each.

Mr Amitabh Chaudhry, managing director and chief executive officer of HDFC Life, told Business Standard that unless mandated to do so, banks might not be interested in becoming brokers. He added it is less onerous to be a corporate agent than a broker.

The chief executive of a mid-size private life insurer said that a bank's ownership of a stake in an insurer would restrain players from taking the broking route. "Once these banks become brokers, they would not be in a position to push products of their group companies.

Private insurers, which get almost 60-70% of their new business from parent banks, might see a sudden slump if their parent bank becomes a broker. This is not something the shareholders would approve," he said.

Top private insurance companies are backed by banks, which will find a conflict of interest in the broking idea. For example, ICICI Pru Life, SBI Life, HDFC Life, IDBI Federal, SUD Life, Kotak Life and IndiaFirst are backed by banks like ICICI, HDFC, SBI, IDBI, Federal bank, Bank of India, Union bank of India, Kotak Mahindra, Bank of Baroda and Andhra Bank.

Meanwhile, IRDAI is evaluating fresh rules for banks to act as intermediaries for insurers in the wake of the RBI guidelines and changes made last month to the insurance law through the Insurance Ordinance. The categorisation of banks (corporate agents), brokers and agents has been altered and all of them are termed as 'insurance intermediaries' under the Ordinance.

Source

With the change, all intermediaries can seek partnerships with multiple insurers. This change is expected to significantly benefit insurers that do not have a major bank alliance partner. These include Reliance Life Insurance, Exide Insurance, Future Generali, Birla, Bajaj, Aegon Religare, Bharti Axa, Shriram Life and Sahara Life.

Back

India changes bank insurance rules - www.reactionsnet.com

The Reserve Bank of India (RBI) has changed the rules for banks and their involvement in the insurance sector. Banks will now be allowed to provide customers with a choice of insurers, effectively permitting the banks to act as insurance brokers. The banks will be given a choice; either choose to be a corporate agent of a single insurer, or to become an independent insurance broker.

The RBI has also stated that banks will not be allowed to wash their hands of responsibility for the quality of products sold. They will be required to ensure that the insurance products they sell are suitable and sound.

Banks will be permitted to take up insurance distribution through a corporate agency or broking structure without obtaining prior permission.

Currently most banks act as a corporate agent, a system which has proved popular with established insurers (those with a tie-up in place) but not with those who do not have a distribution agreement with any major banks. Those insurers alleged that the system as it stood worked against innovation and development.

The RBI has also tightened the requirements for banks wishing to enter insurance joint ventures. A minimum capital adequacy of 10%, equity capital of INR10bn. and non-performing assets of less than 3%.

Banks wishing to float a broking subsidiary or a joint venture will need RBI clearance. Observers noted that RBI's stiff capital requirements are likely to deter many public banks, which tend not to be overly strong on capital adequacy.

Source

The RBI changes follow an earlier announcement by finance minister Arun Jaitley that the law would be changed.

IRDA Regulation

IRDA evaluating fresh norms for banks as insurance agents - The Economic Times

Insurance sector regulator IRDA is evaluating fresh norms for banks to act as intermediaries for insurers, following recent changes in law brought through an ordinance by the government. This follows RBI's decision last week to allow banks to act as brokers for insurers, set up their own subsidiaries and also undertake referral services for multiple companies. The banks have also been allowed to set up subsidiaries and joint venture companies for undertaking insurance business with risk participation.

RBI said that they can act as corporate agents without seeking prior approval from the RBI, but they will have to comply with the applicable IRDA guidelines. IRDA norms currently put a cap of business an insurer can source from single broker within the same promoter group. As of date, if the broker and insurer belong to the same promoter family, the broker can only source upto 25 per cent of its total business for the insurer within the same promoter group.

Since the new ordinance puts banks and brokers in the same category, some amount of cap may also be extended to banks as well, sources said. Under existing bancassurance guidelines, a bank can act as a corporate agent and sell policy of only one life insurer and one non-life insurance company. But, the new guidelines will allow banks to act as brokers permitting them to sell insurance policies of different insurance companies.

As per the changes made through the Insurance Ordinance, the categorization of Banks (Corporate Agents), brokers and agents has been altered and all of them have been now termed as Insurance Intermediaries. Interestingly, with the change in the ordinance - wherein both Corporate Agents and Brokers are now termed as Insurance Intermediaries - all intermediaries can seek partnership with multiple insurers.

"The new regulation seems to have ended the one-bank one-insurer relationship, something the regulators have been wanting to change in the interest of the consumers. "Enabling guidelines from IRDA will help banks partner with multiple insurers and offer better range of products that are best suited for the customer," a top executive at a leading private sector insurer said.

The regulator has always felt that the distribution system should be tilted towards the interest of the consumer and not towards the insurer. The present system of Bancassurance forces the banks to sell products of one insurer to multiple consumers which also encouraged mis-selling. IRDA is now expected to come out with supporting guidelines restricting the amount of business one bank can source for a single insure. This would be a significant change considering that over 50 per cent of business is sourced by insurers through their Bancassurance partners.

This change is expected to significantly benefit insurers that do not have a major bank alliance partner. These include Reliance Life Insurance, Exide Insurance, Future Generali, Birla, Bajaj, Aegon Religare, Bharti Axa, Shriram Life and Sahara Life. On the other hand, insurance player like HDFC, ICICI, SBI and Max have a major part of their business coming from Bancassurance partners.

Source

Back

Moving SAT against Irda decisions could hit insurers - Business Standard

With the Securities Appellate Tribunal (SAT) empowered to deal with cases from refusal of registration to imposition of penalty by the Insurance Regulatory and Development Authority of India (Irdai), through the Insurance Laws (Amendment) Ordinance 2014, a host of cases will come to it. “SAT has become the prevailing authority for the insurance sector, too. While we are awaiting an insurance expert in it for dealing with our cases, it is still unclear whether cases pending before the court will also be transferred to SAT,” said the chief executive of a private life insurer.

Set up under the Securities and Exchange Board of India (Sebi) Act, 1992, SAT has a three-member team of a presiding officer and two members. The United Progressive Alliance government had considered a common appellate authority for insurance and all instruments traded on stock and commodity exchanges. This followed the formation of the Financial Stability and Development Council, a statutory body to coordinate financial market regulators.

Insurance executives say even in cases in which Irdai refuses to accept returns filed by companies due to inadequacies or further information sought, they would now have to approach SAT. "According to the ordinance, we will have to appeal to SAT within four months of the receipt of the order and ask the authority to accept the returns. While such cases have been few, a SAT hearing on these matters is expected to take longer to be settled, especially as the number of cases dismissed by it is high," said an actuary at a life insurance company.

According to the ordinance, every appeal under the Act has to be made within 45 days from the date on which the Irdai order is received. For the insurance sector, penalties include a fine and, in various cases, the refund of excess premia to policyholders. "In case refunds exceed Rs 100 crore, our books are hit. Therefore, such cases should be considered on an urgent basis by SAT," said the chief financial officer of a mid-sized private life insurer. He added in case Irdai refused to grant a new company a certificate of registration, courts could help get better redress.

"Especially for international players who wish to enter India through a joint venture, there could be an option to move court if it isn't granted registration. That would be quicker, given the limited members in SAT and the high number of cases transferred to it every month." In case the Irdai orders a search-and-seizure of documents for enquiry and regulation, aggrieved parties can approach SAT and request the books, accounts, receipts, etc, be returned.

If SAT thinks a life insurer's operations are prejudicial to the interests of the policy holders, it can appoint an administrator to look into the affairs of the insurer. Here, too, anyone aggrieved by an order of the administrator can approach SAT. There have been cases in courts in which an ex-parte order (in the interests of one side alone) has been for attachment of property, which have later been repealed. We do not know how this mechanism would work under SAT," said the general manager at a state-own general insurer.

Source

Back

New regulatory system in India - www.reactionsnet.com

The change in rules for the Indian banking sector and the selling of insurance could lead to insurers being required to plead to the Securities Appellate Tribunal (SAT) if they have grievances related to decisions made by the Insurance Regulatory & Development Authority of India (Irdai). Under the Insurance Laws (Amendment) Ordinance announced by the executive at the end of last year, SAT was given powers to deal with cases such as penalties imposed by Irdai and a refusal of registration.

SAT was established under the Securities & Exchange Board of India (Sebi) Act of 1992. It consists of one presiding officer and two members. Previously insurers would appeal against Irdai decisions via the courts.

There have been conflicts between Sebi and Irdai before, particularly when Sebi unilaterally declared that some unit-linked investment policies were not really insurance policies at all, but were used solely to benefit from rising equity prices and thus came under the purview of Sebi rather than Irda (as it then was). Irdai disagreed, and it was several months before the issue was resolved.

There had been moves afoot for some time, harking back to the previous administration, under which a single appellate authority would be established, but there were concerns that the limited facilities available to SAT, and the high number of cases that it already receives every month, could result in appeals against Irdai decisions taking longer to resolve than would have been the case under the old system.

Meanwhile, Irdai is evaluating fresh norms for banks to act as intermediaries for insurers, following the decision in early January by the Reserve Bank of India (RBI) that banks could act as brokers for several insurers, as well as establish their own subsidiaries.

Under existing bancassurance guidelines, a bank can act as a corporate agent and sell the policy of only one life insurer and one non-life insurer. Under the new guidelines banks can sell insurance policies from different insurance companies. Irdai is expected to release guidelines that will restrict the amount of business one bank can source for a single insurer.

Source

Life Insurance

Life insurance policy holders may get 15 pc cut in premiums - Financial Chronicle

Life insurance policy holders, who opt for electronic format of policy, may now get a 10-15 per cent reduction in their premiums as IRDA has revised guidelines with regard to repositories and dematerialisation. "The insurer subject to F&U guidelines may offer discount in premium in respect of those policies maintained only in the electronic form," regulator IRDA said in the revised guidelines of Insurance Repositories and Electronic Issuance of Policy.

Dematerialisation of insurance policy is being done by five insurance repositories, including CAMS Repository Services. The objective of creating an insurance repository is to provide customers the facility to keep policies in electronic format. Keeping the insurance policies in electronic form provide safety from misplacing, convenience similar to what is there in case of equities.

Besides, the Insurance Regulatory and Development Authority (IRDA) revised norms for outsourcing of both core and non-core activities mentioned in outsourcing guidelines to Insurance Repositories. This may help insurers outsource the core activity such as the policy servicing function to specialist, who can not only provide front office presence, but also execute service request thereby reducing cost of operations and improve in turn around time, CAMS Repository CEO S V Ramanan said.

"Over short to medium term we see tremendous value add for insurers who in turn can pass on benefits to policy holders. Not only in terms of reduced premiums but also through faster resolution of their queries," he said. Experts said discounts in premiums could be in the range of 10-15 per cent. Yesterday, the Reserve Bank allowed banks to act as brokers for insurers, set up their own subsidiaries and also undertake referral services for multiple companies with the objective to raise insurance penetration in the country.

Source

Banks can also act as corporate agents without seeking prior approval from the RBI. However, they will have to comply with IRDA guidelines. Under existing bancassurance guidelines, a bank can act as a corporate agent and sell policy of only one life insurer and one non-life insurance company. The new guidelines allow banks to act as brokers permitting them to sell insurance policies of different insurance companies.

Back

Life insurance claims will get 60-day window - Hindustan Times

In a move that will provide relief to millions of claimants, the insurance regulator is looking to make it mandatory for companies to settle life insurance claims within 60 days. Currently, the rules mandate that all claims have to be settled within six months, and most insurers stick to this limit but there have been several cases where it has been breached. If, following the framing of the new rules, a claim is not settled within 60 days, the beneficiary can take the insurer to court.

The Insurance Regulatory and Development Authority (Irda)has issued a draft circular to life insurers seeking their response on its proposal to reduce the claim investigation time. Life insurance firms said most claims are resolved within a couple of weeks but about 15% of cases come under scrutiny due to lack of required documents or disputes. The time taken to settle such claims can then stretch beyond the mandated timeframe.

“In some cases, which require investigation, it does take months to check the authenticity of the claim, as sourcing information from various agencies like hospitals and police authorities can take time and is beyond the control of life insurance companies,” V Viswanand, senior director and chief operations officer, Max Life Insurance, told HT. TS Vijayan, chairman Irda, did not comment on the issue.

Insurance companies are, however, wary of the move. “In case there is an increase in claims which are not genuine and companies have no time to investigate them thoroughly, it would in the long run impact the industry the way it did in the health insurance segment and eventually push up rates,” said a senior executive at a private insurance company on condition of anonymity.

Source

With the government promulgating the insurance laws (amendment) ordinance in December, which is expected to become an act once the Parliament session resumes, the regulator is planning to come up with a host of new guidelines to benefit the consumers.

General Insurance

Private insurers may help farmers weather the storm - The Financial Express

In a bid to protect farmers from erratic weather pattern, the government has invited private insurance companies, along with state-owned Agriculture Insurance Company of India (AIC), for providing various products relating to crop, weather and income insurance. Sources told FE that for the last two decades or so only AIC, which is owned by four state-owned general insurance companies and Nabard, has been offering yield-based and weather-based crop insurance programmes. "Ten private general insurance companies are empanelled for implementation of crop insurance schemes for increasing coverage and create competition in crop insurance sector," an official with agriculture ministry said.

The key private sector insurance companies, which have started to offer crop or weather insurance products, include ICICI Lombard, HDFC Ergo, Iffco Tokio and Bajaj Allianz. "The private sector would also bring in many innovative insurance products for catering to the need of the farmers in the context of climate change," the official said. The official said around 30 million farmers out of 120 million have been covered under the National Agriculture Insurance Scheme (NAIS), which mainly covers yield losses. Sixty five crops and around 25% of the crop areas are covered under crop insurance. About 70% of these are accounted for by farmers who own less than four hectares and a majority of farmers had been provided insurance by AIC.

"Crop insurance is going to become even more important in future, considering increasing climatic variability. Unfortunately, despite insurance reaching almost 30 million farmers today, there is widespread dissatisfaction. We need to develop simple products that are scientifically valid, economically viable, transparent, and acceptable to most stakeholders," Pramod Aggarwal, regional programme leader, Research Programme on Climate Change, Agriculture and Food Security (CCAFS) platform, said. Based on evaluation studies, the government had introduced National Crop Insurance Programme (NCIP) after merging Modified National Agricultural Insurance Scheme (MNAIS), Pilot Weather Based Crop Insurance Scheme (WBCIS) & Coconut Palm Insurance Scheme (CPIS) from Rabi 2013-14 season.

The premium paid under NCIP is higher than the NAIS as the premium being charged is on actual basis and claim liability as present is on the insurance company. However, the official said premium under NCIP had been provided with upfront subsidy up to 75% in case of MANIS and up to 50% under WBCIS. Besides the revamped programme would offer insurance cover to the farmers where historical data on the crops are not necessarily available, thus helping farmers in dealing with the associated risk. However, NAIS would continue for a couple of years before being entirely merged with NCIP which also offering income insurance to the farmers.

NAIS is also available to farmers who have not taken bank loan and covers all food crops — cereals, millets & pulses, oilseeds and some horticultural crops which past yield data is available for adequate number of years. The premium varies between 1.5% to 3.5% of sum insured for food & oilseed crops and a 10% premium subsidy is provided to small & marginal farmers. The Comprehensive Crop Insurance Scheme (CCIS), introduced in 1985 by the Centre in collaboration with state governments, was linked to short-term crop credit, where all loans for notified crops in a specific area were compulsorily covered.

Source

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Survey & Reports

Cyclone Hudhud resulted in $7 billion loss for Indian economy: Munich Re - The Economic Times

Cyclone Hudhud, which hit Visakhapatnam with monstrous fury a few months ago, is ranked as the most expensive natural catastrophe last year, resulting in a loss of $7 billion for the Indian economy, according to a report released by Munich Re, a global reinsurance company.

The report said that losses from natural catastrophes amounted to $110 billion in 2014 against $140 billion a year ago. Of the $110 billion, roughly $31 billion was insured, against $35 billion insured in 2013. The second most expensive catastrophe last year was the heavy snowfall in Japan, which cost the nation $3.1 billion. In 2014, a total of 980 loss-related natural catastrophes were registered.

Source

Around 7,700 people lost their lives in natural catastrophes the world over in 2014, against 21,000 in 2013. The severe flooding in India and Pakistan last year, which claimed 665 lives, also featured in the report. Interestingly, Cyclone Hudhud also highlights the preparedness of the authorities and the meteorological department, with the administration evacuating half a million before the cyclone lashed the coastal town. Of the overall losses of approximately $7 billion, roughly $530 million was insured — a comparatively small percentage — but insurance density in India is showing a constant growth, the report added.

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70% Indians have no health insurance: Study - The Economic Times

Seventy per cent of India's population have no health insurance and the country is short by 2 million beds compared with the global benchmark, according to a whitepaper released by a leading health sector body. The report 'Aarogya Bharat 2015', released by NATHEALTH today, stated that India requires US$ 3 trillion in cumulative funding and has the potential to generate 15 to 20 million jobs by 2025. NATHEALTH has been created to improve access and quality of healthcare and has leading Healthcare, Medical Technology, Diagnostic service providers and Health Insurance Companies as stakeholders.

"This 'while paper' is an effort to drive thought leadership as we move towards a healthier, 'Aarogya' India over the next decade. Total spending on healthcare is anticipated to reach about 6 per cent of GDP by 2025. "Private insurance is expected to grow at a compounded annual rate of about 25 per cent to cover the top 25 per cent of the population, by income level. Public insurance will provide essential care to 60 per cent of the population by 2025," said Shivinder Mohan Singh, President of NATHEALTH.

"India can adopt universal access to essential healthcare driven by private sector-led provision with the Government playing the role of primary payer and provider in remote and underserved areas," said Anjan Bose, Secretary General of NATHEALTH. NATHEALTH also urged the Government to increase public spending on healthcare to 2.5 per cent-3 per cent of GDP, apportion a greater share of public spending to prevention, including mass screenings and primary care coverage by 2025.

Additionally, the Government should focus on being a payer, not a provider and demand and support quality outcomes, the report stressed. The 'white paper' recommends the expansion of the supply of healthcare talent in critical roles, rejuvenation of AYUSH, (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy) and encouragement of private investment in education. "To facilitate 'Make in India' innovations, the Government can look to further incentivize domestic innovation and manufacturing. This will also have a ripple effect in terms of increased FDI and will generate employment," said Bose.

Source

A key recommendation of the white paper is an appeal to the Government to increase tax exemption on premiums of health insurance and incentivize private sector participation in medical education. The 'white paper' was released in collaboration with Bain and Company at its 2nd annual event held here today. The body also introduced a unique initiative of an 'Ethics Pledge', a declaration by the industry leaders across diverse healthcare segments in partnership with Indian Medical Association (IMA), to build a robust and transparent platform to promote ethical practices in the healthcare ecosystem.

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IRDA Circular

Source

IRDA released circular regarding submission of advertisement applications through Business Analytics Project(BAP) - Non-Life Module(Except Health Insurance Advertisements) to CEOs of all Non Life Insurers.

Source

IRDA released circular regarding submission of returns for Non Life through Business Analytics Project(BAP) to CEOs of all Non Life Insurers

Source

IRDA released circular regarding submission of Advertisement application through Business Analytics Project (BAP) – Health Module to CEOs of all insurers.

Global News

Hong Kong: Motor insurance rates likely to rise; positive outlook for industry in 2015 – Asia Insurance Review

Motor insurance rates are likely to increase in 2015 in Hong Kong, as general insurers attempt to return the segment to greater levels of profitability, said Ms Anna Lee, Head of P&C Reinsurance, Hong Kong & Taiwan at Swiss Re, during a press briefing in Hong Kong yesterday. The year 2014 saw the Hong Kong motor insurance segment record a drop in underwriting results of more than 70% against the same period a year earlier. Underwriting results in the period stretching from January to September 2014 amounted to a feeble HK$24.1 million (US$3.1 million), a dramatic drop from the HK$80.7 million recorded during the same period a year earlier.

The material fall in underwriting profits is attributed to increasing competition in the motor insurance space, which led insurers to engage in a price war, resulting in less profits from the motor business than in previous years. An increase in compensation payments also explained the sharp decline in profitability, Ms Lee said.

Asia

But 2014 had been generally a good year for general insurers, Mr Clarence Wong, Chief Economist Asia at Swiss Re, said during the same briefing. While premium growth slowed in more advanced markets like Hong Kong, Japan and Australia, it remained strong in Emerging Asia (which includes China, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam).

Revenues and underwriting profitability improved in the last two years due to below-average cat losses and improving investment results. The February 2014 Japanese snow storms, which cost the insurance industry US$2.5 billion, were the most costly event for insurers who otherwise dealt with a rather benign year in terms of natural catastrophes. While India endured a series of natural disasters, the low levels of insurance penetration in the country meant that insurance losses were relatively small, he explained.

Looking ahead, Mr Wong said the outlook for the non-life insurance industry remained very positive for the region. The general insurance industry is projected to record a solid premium growth in the 8-9% range in 2015, with China being the main growth driver in the region. Emerging Asia is expected to record premium growth in the 13-14% range, he said. China, currently the fastest growing insurance market in the region, will remain the biggest contributor to the industry's growth, with an estimated growth of 14.9% for 2015-2016 on the non-life insurance side, even as the country recorded in 2014 its lowest GDP increase in 24 years, Mr Wong said.

Underpinning this strong outlook was the belief by Mr Wong that the recently-issued insurance directives by regulators will have a material and positive impact on the country's industry, if those were heeded by insurers, which was likely, Mr Wong said. The State Council, which is China's cabinet, laid out ambitious targets for insurers to achieve by 2020. Among these targets are raising the country's insurance penetration levels to 5%, currently at 3%, and the level of per capita premium to CNY3,500 (US$563.2), roughly double the current amount, Mr Wong said. To meet these targets, the industry would need to grow at a rate of 17% per annum, he said, referring to calculations done internally.

Source

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South Korea: Regulator eases some insurance sales - Asia Insurance Review

The government will lower the bar for insurance sales tied to certain other products, by waiving licensing requirements, the financial authorities said yesterday. At present, all insurance consultants are required to take an examination to obtain their licence. However, starting July next year, insurance consultants within a select group of sectors will be exempt from taking the examination, and will be able to sign up customers. These sectors include the retailers of electronic appliances, real estate agencies and travel agents, which need specialized kinds of insurance, reported The Korea Herald.

"The exemptions will be granted only to the insurance consultants who deal with one or two insurance plans that specialize in the major product being sold," the Financial Services Commission (FSC) said in a press briefing on insurance policy changes.

Once the rule goes into effect, these insurance agents – for whom licences are waived – will be able to solicit customers for tablet PC insurance at supermarket chains. Similarly, they will be able to sell travel insurance at travel agencies. Those who purchase houses will be able to sign up for fire insurance plans. The FSC acknowledged that easing the requirements could lead to mis-selling, but vowed to regulate the deals as strictly as it does other licensed insurance firms.

Source

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Australia: Retirement funding gap of 13 years is longest in Asia - Asia Insurance Review

While Australians expect to spend 23 years in retirement, their money will run out after only just 10 years, leaving them on the age pension, according to a global survey of people's attitudes to retirement savings.

The funding gap of 13 years is among the longest gaps of the 15 countries surveyed by HSBC for its Future of Retirement report. The average savings gap among the 15 countries is seven years. Australia's funding gap is the longest in Asia and the fourth longest in the world.

More than 45% of Australian pre-retirees told the survey they cannot afford to prepare adequately for retirement. They say they have more immediate financial commitments. Just over half of these said repayment on their mortgage and other debts is stopping from preparing adequately for retirement. Just under half of Australian pre-retirees (46%) said that they are not confident in their ability to be able to maintain a comfortable standard of living once they have stopped working.

The lack of confidence is across all income levels. A third of even relatively well-off pre-retirees, those with household income of more than A$90,000 (US$73,364) a year, said they are not confident that they will be able to maintain a comfortable retirement.

Low wage growth is also stopping working Australians from making voluntary contributions to their superannuation. More than half (55%) of the 1,000 working age Australians surveyed said their income is not keeping pace with the cost of living.

"When you consider wage growth in Australia has slowed to 2.6% a year, the lowest rate of growth since 1998, it's unsurprising Australians are struggling to afford retirement," said Mr Graham Heunis, head of retail banking and wealth management at HSBC Australia.

Australian retirees told the survey they would have done things differently before they retired to improve their standard of living in retirement. For example, almost a third said they would have saved more and a similar proportion said they would have started saving at an earlier age.

Source

HSBC surveyed 16,000 people in 15 markets worldwide to understand the issues associated with ageing populations and increasing life expectance globally.

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Vietnam: Motor insurance has huge scope for growth - Asia Insurance Review

Increasing motor vehicle ownership is a trend in Vietnam where there is also greater scope of motor insurance coverage which will provide growth opportunities for Vietnamese motor insurers in the coming years, according to AM Best.

Ownership of motor vehicles in Vietnam is expected to increase further as wealth continues to improve. Although ownership of passenger cars and other motor vehicles (excluding motorcycles) in Vietnam is currently low, urbanization and infrastructure development will drive growing demand for road transportation.

In 2012, there were 41.6 registered motorcycles per hundred population in Vietnam, approximately 2.5 times the 2004 level and higher than the ratios for all other ASEAN-5 countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand). However, there were only 0.8 registered passenger cars per hundred population in Vietnam in 2012, which is lower than the ratios for most other ASEAN-5 countries.

While increasing motor vehicle ownership can facilitate growth of the motor insurance segment in Vietnam, the currently limited scope of motor insurance coverage also provides opportunities for this segment to expand further.

The current VND70-million per person coverage limit for bodily injury caused by motor vehicles, effective since 2012, is a 40% increase from the VND50-million limit that took effect in 2008. However, from 2008 to 2012, the country's cumulative inflation was approximately 50%. This level of compensation limit is only approximately twice the country's average income, which is considered insufficient to compensate severely injured victims of traffic accidents and their families for their economic losses, including loss of earnings and costs for medical treatment and rehabilitation.

Although inflationary pressure in Vietnam has been easing, the IMF forecasts the country's inflation rate to remain at approximately 5% in the coming years. In the next revisions of statutory coverage limits for bodily injury caused by motor vehicles, the limit is to be increased by more than just the general rate of inflation, such that motor liability insurance can better serve its role in compensating victims of traffic accidents.

There is also room to further expand the scope of motor insurance coverage beyond the statutory requirement. Comprehensive motor insurance coverage generally is not provided to motorcycles (except some that are commercially owned), although it has become more common for private cars and passenger-carrying vehicles. One main reason is that motorcycle owners in Vietnam consider it more economical to bear repair costs on their own, rather than being indemnified by insurance companies.

Source

Back

China: CIRC beefs up anti-money laundering guidelines - Asia Insurance Review

The China Insurance Regulatory Commission (CIRC) has issued guidelines aimed at helping insurance companies assess the risk of money laundering and terrorist financing taking place in their operations. This is because with the rapid development of the Chinese insurance industry and business innovations, the unscrupulous are turning to the insurance industry to launder money.

The guidelines distinguish between internal money laundering risk and external risk. Internal risk includes product risk with money launderers tending to prefer investment-linked insurance products, insurance with a savings component, high cash-value insurance products as well as products which has low surrender costs.

On the external risk front, online insurance has become the focus of anti-money laundering efforts because of the ease of effecting insurance transactions without the need for the customer to meet insurance company representatives. Most online insurance products have high cash values with short tenors, and are therefore attractive to money launderers.

To counter the illegal activity, insurance companies are told to limit the amount of insurance that can be bought online; establish a customer identification system; study the transaction profiles of customers such as frequency of insurance purchases, and checking the contact information of customers to ensure that the details are not similar in several different cases.

CIRC has been active in directing and carrying out anti-money laundering measures in the insurance industry. It has been conducting audits of insurance companies to look out for money laundering activities and has conducted training for senior insurance executives in anti-money laundering detection and action. In 2011, CIRC issued guidelines relating to administrative measures for anti-money laundering efforts in the Insurance Industry.

Source

Back

China: Public-sector pension reform launched – Asia Insurance Review

Public institutions in China will have to start contributing 20% of an employee's salary to a pension fund and develop an annuity arrangement, according to the country's latest pension reform. About 40 million public-sector employees are affected by the reform.

China's Vice-Premier Ma Kai said last week that the basic idea of the reform is form a pension system for public employees along the lines as that for employees of enterprises in the urban sector. Changes to occupational annuities and the salary system will be made simultaneously nationwide, Mr Ma added.

Under the new arrangements, backdated to last October, public-sector workers will have to pay 8% of their monthly salary into a pool, with their employer contributing the equivalent of 20% of their salary. The aim of the reform, unveiled by the Ministry of Human Resources and Social Security, is to create a sustainable and fairer safety net for its rapidly ageing population.

Prior to this, China operated a dual-track urban pension system — in which corporate employees must contribute 8% of their salary to the pension system but government employees contributed nothing. There was no dedicated revenue source for public-sector pensions, with the government paying retiree benefits for such employees out of general fiscal revenue. According to the Xinhua News Agency, government workers' pensions had become a huge burden on the state and were unsustainable.

The reform also addresses the gap in pension benefits favouring public-sector employees. Most government workers receive pensions equal to 80-90% of their pre-retirement salary, while the ratio for non-government employees is often below 50%. The new benefit schedule does not affect current retirees but phases in less generous benefits for current workers and those newly hired.

Source