



• Quote for the Week •

**“If you cannot do great things, do small things in a great way”
Napoleon Hill**

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Insurance Industry

Insurance firms prefer women for personalised selling - Financial Chronicle - 1st April 2015

Its woman power to the fore in the insurance sector. Insurance companies are increasingly roping in women agents, feeling they are better off at personalised selling, especially in categories like health, personal accident and home.

Bajaj Allianz General Insurance has started to recruit 2,500 women agents by the next financial year and set up several all-women branches. In 2014-15, the insurer opened 30 such offices and brought in 250 new women to work for the company.

“We have noticed that women are more patient and persuasive. While selling some products an agent needs to make seven-eight visits to the customer’s place. Women agents are seen to have more patience to undertake such visits and persuade the customer,” said Anamika Roy Rashtrawar, chief marketing officer, Bajaj Allianz General Insurance.

Moreover, many women look for a second career after having left jobs for the sake of their children or parents. “They don’t have to make any investment and we give them the freedom to work as per their convenience. The offices too are located close to residential areas,” she said.

According to Sharad Mathur, senior vice-president and national head – agency for digital and alternate channels of SBI General Insurance, women do well in personalised selling. “Women are equally aggressive and well understand the needs of their customers. They appear to do well when it comes to personalised selling. They are presentable and persuasive. In fact, products like accident and health and home etc can be strategised to promote through this channel as well. It is definitely bound to grow in times to come,” he said.

“We are continuously striving to license more women agents as we believe that they can make a significant contribution to health products. The penetration in health space is low and this segment requires a lot of personalised and consultative selling. We have women agents largely in west, north and south. East is also catching up fast,” he added. SBI General Insurance has 6,350 agents, of which 1,388 are women. Their numbers have grown 33 per cent over previous year.

Rashtrawar of Bajaj Allianz finds that health insurance is a fast growing category and women in the family are increasingly taking decisions about buying health and home policies. Women agents are better placed in persuading the women in the family.

In the first year of the women recruitment drive, Bajaj Allianz will focus on providing necessary skill sets to the new agents. It has kept a low target of Rs 50 to 60 crore of premium for the first year. Besides them, the company has 10,000 agents, of which some are also women. In the long term, the company hopes men and women to equally contribute to the business.

In ARLIC, women constitute an important segment for advisor recruitment. Home maker constitutes one of the most productive segment in ARLIC agency which contributes 40 per cent of our business. ARLIC has strategic advantage in hiring women agents and keeps them engaged through continuous learning and recognition programs. Out of a total of 10,576 active agents in the company, there are 3736 women agents. In the long term, Bajaj Allianz hopes men and women agents to equally contribute to the business.

Source

Insurance companies refuse to cover farmer suicide – The Times of India – 1st April 2015

Although the state government is trying to secure farmers family under insurance who commit suicide, the insurance companies denied giving insurance cover to farmers in suicide cases.

Eknath Khadse agriculture, relief and rehabilitate minister in the legislative council said that the government is trying to secure farmers family under group insurance scheme in case of farmer commits suicide. "Four insurance companies have responded to the government for cover group insurance. But they are not ready to give insurance cover for suicide case. The government however proposed to go for comprehensive insurance cover like life, accident, health and suicide case," said Khadse.

Minister was replying to a special meeting held to discuss the issue of farmers facing loss due to wet drought and hailstorm situation in rural areas. Minister also clarified that the government would not waive the loan taken apart from the crop loan.

Last week, Khadse announced that the government is considering to apply life insurance scheme for farmers with the life cover of Rs 5 lakh and the government will pay the installment. At the same time, the state is also considering to cover family of small farmers under Rs 2 lakh insurance cover on the lines of Centre. The central government has the policy of an accident cover of Rs 2 lakh at the installment of Rs 12 per annum falls under economically backward class.

Source

[Back](#)***Banks' exclusive sales tie-ups with insurers set to end – Business Standard – 1st April 2015***

Exclusive tie-ups between banks and insurance companies to sell their products are set to be history, with the regulator putting a cap on the business a bank can get from a single insurer. While the move will benefit insurance companies such as Reliance Life, which does not have tie-ups with banks for selling its products, banks will be disappointed. Earlier, when the Department of Financial Services had brought out a circular asking public sector banks to become insurance brokers, there was stiff opposition from banks, as their shareholder agreements had prescribed they would only sell products of their subsidiaries. In cases such as Canara HSBC Oriental Bank of Commerce Life Insurance, the insurer follows a model of 100 per cent business from its bancassurance channel.

In its exposure draft on licensing of corporate agents, the Insurance Regulatory and Development Authority of India (Irdai) has said no corporate agent (such as banks and non-banking financial companies) can collect more than 90 per cent of the premium from a single insurer in each category - life, general and health insurance. But this is only for the first year. For the second and third years, the cap has been fixed at 75 per cent and 60 per cent, respectively. From the fourth year, no corporate agent can collect more than 50 per cent of the premium from a single insurer.

This means, banks will have no option but to tie up with more than one insurer in each category. According to current norms, corporate agents such as banks are allowed to represent only one life insurer, one non-life insurer and one standalone health insurer. The insurance regulator has now allowed banks to tie up with up to three insurers from each of the three segments. The regulator has said for corporate agents failing to comply with these norms, registration will be suspended. They could even face cancellation of licences, apart from financial penalties.

Anup Rau, chief executive of Reliance Life Insurance, said while this would open the bank network to more than one insurer, the regulator should have prescribed a minimum tie-up criteria for each bank. A presentation by Reliance Life said the bancassurance market size was Rs 9,500 crore in FY14 (individual segment), adding in FY15, it was likely to show significant, growth, primarily driven by unit-linked insurance plans.

The presentation added public sector banks, with 400 million accounts, had insurance penetration of just about one per cent. If this penetration was increased to 15 per cent, it could add 50 million customers and generate an additional Rs 60,000 crore of life insurance premium in the next five years, the presentation said. All existing corporate agents will have to register afresh and apply for a licence to Irdai, according to the new norms, once these are finalised. Insurance companies that entered the sector at a later stage did not have any bank to tie up with, as most lenders were either promoters of insurance companies and were selling only its

subsidiary's products or had already tied up with an insurer in each category. As such, these new insurers approached cooperative banks and regional rural banks for tie-ups. Irda has said four categories of corporate agents will be licensed - corporate agent (life); corporate agent (general), corporate agent (health) and corporate agent (composite). In each category, the corporate agent will be allowed to sell the products of up to three insurance companies.

A senior executive of a bank-promoted insurance company said banks might approach the Reserve Bank of India for clarification. "While the regulator has put in some norms, large banks might wish to seek clarification on whether they would be mandated to end their exclusive tie-ups with their group insurance entities," he said.

According to the draft, a corporate agent should have a principal officer (who should be a graduate, at the least) to supervise the corporate agent. The corporate agent will engage the services of specified persons who will procure business. For exclusive corporate agents, share capital and net worth of at least Rs 50 lakh has been prescribed.

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Maharashtra plans to bring farmer suicide under insurance cover - The Indian Express - 30th March 2015

The Maharashtra government is likely to bring farmers' suicides under insurance cover to enable higher financial compensation to the victims' families, state Agriculture Minister Eknath Khadse has told The Indian Express. The development comes at a time when the government is grappling with drought across 24,000 villages and an increasing number of farmer suicides is being reported from the Marathwada region. Statistics show that almost 85 to 90 cases of farmers suicides in the last three months have been reported from eight districts in Marathwada.

Khadse said the government was planning an insurance cover of "up to Rs 5 lakh", adding that there would be provisions to ensure that the system was not misused. He added that the government could tie up with private insurance companies for the purpose. "We agree that compensation cannot be a solution to suicides. This plan is based on humanitarian grounds," he said, adding that the government was working towards addressing the drought situation.

The decision to provide insurance to families of farmers who have committed suicide has invited flak within the cabinet, with many fearing that suicide cases would go up if such a plan was introduced. Responding to this, Khadse said: "I can challenge anybody to offer Rs 10 lakh to a farmer and ask him to end his life. Nobody in this world would end life for money."

"Moreover, the insurance companies will not extend financial help without ascertaining credentials of the family and individual cases," Khadse added. The state government has admitted that the situation in Marathwada and parts of Vidarbha is worrisome. Currently, drinking water is being supplied to the drought-hit region through tankers. In a majority of suicide cases, it has been noticed that input cost has far exceeded the loan taken by farmers from private moneylenders. Crop damage due to drought and hailstorm have made matters worse.

Source

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IRDAI Regulation

Irda issues draft norms for corporate agents - The Indian Express - 1st April 2015

Following the passage of the Insurance Laws (Amendment) Bill, 2014, that defines corporate agents as intermediary, the Insurance Regulatory and Development Authority (Irda) on Tuesday came out with draft norms that looks to cap the amount of premium that a corporate agent can place with one insurer at a maximum of 50 per cent from the fourth year onwards.

While the draft says that an agent can have arrangements with a maximum of three insurers it looks to end the exclusive arrangement that corporate agents have with an insurer.

Source

“No corporate agent shall place more than 90 per cent of the premium with any one insurer in the first year, which should gradually come down to 75 per cent and 60 per cent during the second year and third year, respectively. From the fourth year, this shall not be more than 50 per cent,” Irda said.

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Life Insurance

Ulips constitute major chunk of insurance companies' sales - The Pioneer - 1st April 2015

Surge in sales of Unit Linked Insurance Policies (ULIP) by private life insurance companies has proved that public memory is short lived. The ULIPs which not long ago were despised by investors as their invested money shrunk with share market meltdown, constituted almost 65-70 per cent of total sales of these companies in this financial year as market is on record high nowadays.

The ULIPs are the insurance policies in which partial or a major part of the premium provided by the customer is invested in the stock market.

With the opening up of the insurance sector in the year 2001 and advent of private insurance companies these products were preferred by the customers and agents because of flexibility and market based returns. With the meltdown of stock market in the year 2008, the customers and companies began realising the problem with these products as their assets witnessed a huge erosion with decline of share market. After the huge furore the insurance regulator removed all existing ULIPs from the market in 2013 and gave approval to new unit linked products after careful scrutiny. With rally of share market the agents of insurance companies are again selling UPILs in large number. The Divisional Manager of Bajaj Allianz Life Insurance Company Navin Srivastava told The Pioneer that the ULIPs have increased the sales of his division by almost 50 percent this year. He said that the new ULIPs are customer friendly and the agents are selling them after discussing everything with the customer.

The public sector insurance company LIC however is satisfied to sell the traditional products. Interestingly the insurance giant does not have any ULIP in its kitty now. The Senior Divisional Manager of LIC Dehradun Ramesh Verma told The Pioneer that the new traditional policies of LIC are getting very good response from the common people. He said that the recently launched products Jeevan Lakshya and Jeevan Sangam constitute major share of annual sales this year.

Source

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Life insurance sector may end year with new premium growth - Business Standard - 30th March 2015

The life insurance sector might see the year end on a positive note, with the largest entity, Life Insurance Corporation of India (LIC), optimistic on growth. LIC has seen 40 per cent sequential growth in new premiums during March. January-March is the peak season for life insurance companies when over half of their new premiums are collected, as customers buy insurance to save taxes.

LIC Chairman S K Roy recently said, “Since our base is high, 40 per cent growth is substantial. We aim for 15 per cent growth in new premiums in the next financial year.” He said despite 2014-15 being a challenging year, LIC would show good growth.

New premiums for the sector declined 12.9 per cent in April-December 2014 to Rs 73,777 crore from Rs 84,725 crore in the corresponding period of the previous year, as LIC reported a 21.4 per cent fall to Rs 51,667 crore, from Rs 65,774 crore.

Private life insurers posted 16.6 per cent growth, year on year, in new premiums in April-December 2014 to Rs 22,110 crore on strong growth in unit-linked insurance sales.

Though LIC offered fewer policies under a new regulatory regime, executives said premiums had picked up.

Source

In 2014, LIC launched three policies, Jeevan Shagun, Jeevan Rakshak and Varishta Pension Bima Yojana that were well received. It is also planning to launch a unit-linked plan soon.

Digitised policies to soon be mandated for high premium policies - Business Standard – 27th March 2015

Digitised policies might soon be mandated for insurance policies with a premium of above Rs 50,000. Sector sources said revised guidelines are soon to be brought out by the insurance regulator that will make it compulsory to have insurance only in an electronic format from June-July. Insurance repositories will be involved in the process of maintaining these policies in a digital format. It is being proposed that all companies would have to offer these policies to the said customers above the certain premium.

An Insurance Repository (IR) is a facility to help policyholders buy and keep insurance policies in electronic form, rather than as a paper document. Such policies are called 'electronic policies' or 'e-policies'. Though the Insurance Regulatory and Development Authority of India (Irdai) has only allowed insurance policies to be digitised first, regulatory officials added that non-life policies like health and motor would be allowed to be digitised in the near future. It is expected that by the end of this calendar year, digitisation would be extended to the general insurance sector as well.

Both private insurers and Life Insurance Corporation of India have tied-up with the repositories for digitisation of policies. In the pilot stage, several thousand policies were digitised. Campaigns are also being run by life insurers like ICICI Prudential Life Insurance to inform customers about the benefits of holding policies in a digital format.

According to Irdai rules, customers would be allowed the facility of portability, wherein they could port or shift from one IR to the other if not satisfied with its services. However, they would be given a new e-insurance account with a new policy number if they avail of this facility. At present, there are about 330 million life insurance policies and 90 million general insurance policies that are in force in the country.

On an average, IRDAI's estimates suggest that annually Rs 150-200 per customer is spent by an insurance company annually in maintaining policies in physical form. This initiative by Irda is expected to save more than Rs 100 crore for the industry.

The five companies include NSDL Database Management Limited, Central Insurance Repository Limited, CAMS Repository Services Limited, SHCIL Projects Limited and Karvy Insurance Repository Limited. Irda has recently clarified in its regulation on insurance repositories and said that insurers can enter into agreements with one or more repositories.

The objective of creating an insurance repository is to provide policyholders a facility to keep insurance policies in electronic form and to undertake changes, modifications and revisions in the insurance policy with speed and accuracy in order to bring about efficiency, transparency and cost reduction in the issuance and maintenance of insurance policies. Policy holders have an option to choose to either digitise their policy or to have it in the existing format.

These repositories are required to maintain records of e-insurance accounts with an unique number, records of e-insurance policies issued and records of e-insurance policies converted back into physical form, index of policy holders and their nominees/assignees/beneficiaries in the respective life insurance policies, among others. Further, they also have to maintain history of claim data.

Source

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Health Insurance

Health Ministry to handle insurance plan for poor - The Hindu Business Line – 1st April 2015

The Rashtriya Swasthya Bima Yojana (RSBY), the health insurance scheme for below poverty line workers in the unorganised sector, will no longer be handled by the Labour Ministry.

With effect from April 1, 2015, the scheme will be implemented by the Ministry of Health and Family Welfare. "In pursuance of a recent policy decision of the Government, the Labour and Employment Ministry is handing over the RSBY scheme to the Ministry of Health and Family Welfare with effect from April 1. The decision will come into force on as is, where is basis," the Labour Ministry said.

Source

RSBY, launched in 2007-08, became fully operational from April 1, 2008, and provides for smart card-based cashless health insurance, including maternity benefit cover up to Rs 30,000 annually for a family of five. The scheme benefited 3,85,15,411 families up to March 31, 2014, the Ministry said, adding that 10,311 hospitals are rendering services to the insured, of which 6,093 are private ones. Both private and public sector insurance companies are participating in the scheme, for which Central funds of Rs 3,738.05 crore were released in the past six years.

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General Insurance

Government extends deadline for insuring deposits taken by companies - The Economic Times – 1st April 2015

The government has extended the deadline for corporates to comply with norms to insure deposits taken by them in the absence of appropriate insurance products. The Companies Act, 2013, mandates firms taking deposits to insure those amounts, as part of efforts to curb instances of illegal money pooling activities as well as protect the interest of investors. However, an appropriate product to ensure compliance is yet to be made available in the domestic insurance industry.

To address the practical difficulties faced by companies, the Corporate Affairs Ministry has amended the rules governing acceptance of deposits under the Act.

"... companies may accept deposits without deposit insurance contract till March 31, 2016 or till availability of a deposit insurance product, whichever is earlier," the Ministry said in a notification issued on Tuesday.

A transition period of one year till March 31, 2015, was given to companies to comply with deposit insurance norms. Earlier, the Ministry -- which is implementing the Act -- had written to RBI and IRDA with regard to the deposit insurance issue. Most provisions of the new Act had come into force from April 1, 2014.

Apart from extending the deadline, the Ministry said companies that have raised deposits before April 1, 2014 and related allotment is pending on March 31, 2015, should either return the money or comply with the new deposit taking norms. Such companies "shall, by June 1, 2015, either return such amounts to the persons from whom these were received or allot shares, stock, bonds or debentures or comply with these rules", the Ministry said.

It would be applicable for companies, which has received any amount through subscription to any shares, stocks, bonds or debentures before April 1, 2014 and the same has been disclosed in the balance sheet for the financial year ended March 31, 2014 against which the allotment is pending on March 31, 2015.

The applicability would also depend on whether there are some other requirements under the Companies Act, 1956 or Sebi Act to make allotment within a specified period. According to the Ministry, every company need to get a credit rating for the deposits at least once in a year. The changes are part of the Companies (Acceptance of Deposits) Amendment Rules, 2015.

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Source

Third party premium rates for vehicles hiked from April 1 - The Hindu Business Line – 31st March 2015

Vehicle insurance premiums will increase upwards of 30 per cent, depending on type of vehicle owned, from Wednesday. The Insurance Regulatory and Development Authority of India (IRDAI) on Tuesday notified the revised motor third party insurance premium rates which will come into effect from April 1, 2015.

Reconsideration of increase

Though the authority had proposed a steep hike in the mandatory motor third party premium rate up to over 100 per cent in its exposure draft released earlier, there has been moderation in the hike in rates for most common classes for vehicles.

"Overall, consumers conveyed their dissent against proposal to increase the rates. The general insurers conveyed that the current premium rates are inadequate and revision in rates matching levels of ultimate loss ratio of companies is requires," TS Vijayan, Chairman of IRDAI said in an order issued on Tuesday.

Hiked rates

Looking into the sudden and adverse impact, policyholders of such an increase in rates and taking into consideration the comments received in the exposure draft. The regulator had decided to moderate the rate increase in case of private cars, two wheelers with a engine capacity between 150 cc and not exceeding 350 cc, goods carrying vehicles and four-wheeled vehicles used for carrying passengers for hire, among others.

Similarly, in case of two wheelers exceeding 350 cc, good carrying vehicles/public carries, and motorised two wheelers among others, IRDAI moderated proposed rate reductions.

Some of revised premium rates are: for private cars not exceeding 1,000 cc – Rs 1,468 (existing rate Rs 1,129), private cars exceeding 1,000 cc but not exceeding 1,500 cc – Rs 1,598 (Rs 1332), private cars exceeding 1,500 cc – Rs 4,931 (Rs 4,109), two wheelers not exceeding 75 cc – Rs 519 (Rs 455), two wheelers exceeding 75 cc but not exceeding 150 cc – Rs 538 (Rs 464), exceeding 150 cc but not exceeding 350 cc – Rs 554 (Rs 462).

For two wheelers exceeding 350 cc, there has been no increase in premium rate at Rs 884. The cost inflation index (CII) had increased by 9.05 per cent over the previous year, i.e. from 939 in FY 2013-14 to 1,024 in FY 2014-15, IRDAI said.

Source

[Back](#)***Motor cover dominates general insurance landscape - Financial Chronicle – 30th March 2015***

Total business premium was Rs 13,660 cr in FY15 (till Nov), which was 46% of the aggregate of Rs 29,610 cr garnered by 7 players.

General insurance is typically understood by most individual policyholders to be about motor insurance and health cover. Such an impression is, however, inaccurate. The domestic general, non-life insurance industry is pretty diverse. It covers a wide range of areas that serve the needs of a motley customer base covering both individuals and non-individuals (businesses and companies).

But what is of real concern to individuals looking at any particular general insurance company's product offerings is whether it offers the entire array of products covering all areas of risk. In fact, what concerns the policyholder is the concentrated focus and expertise of the general insurer in one or limited products. This is primarily due to the fact that some general insurers focus their marketing efforts in one or a couple of areas such as motor and health insurance, in order to maximise their business potential and profits.

Financial Chronicle Research Bureau analysed the nature of, and the trends in, some of the largest non-life insurance companies' business portfolio and segment-wise concentration levels. We analysed the total premium underwritten and the sum assured for financial year 2014-15 (FY15) till November, as per the latest data available in Insurance and Regulatory Development Authority's (IRDA's) monthly journal for February this year.

Our analyses covered the data for seven general insurers. Five of them were private insurance companies — Bajaj Allianz General Insurance Company (Bajaj Allianz), HDFC Ergo General Insurance Company (HDFC Ergo), ICICI Lombard General Insurance Company (ICICI Lombard), IFFCO Tokio General Insurance Company (IFFCO Tokio) and Tata AIG General Insurance Company (Tata AIG). The remaining two were government-owned insurers — National Insurance Company (NIC) and New India Assurance Company (NIA).

Together, these seven general insurers had recorded a total premium business of about Rs 30,000 crore in the first eight months of FY15, which made up for nearly half of the industry aggregate.

Health insurance

In our analysed universe of seven general insurers, the two public insurers dominated the premium business with a total of Rs 5,020 crore, while the five private insurers made up for just Rs 2,130 crore in FY15 till November. The health premium amount collected by them was Rs 7,150 crore, which made up for 24 per cent of their aggregate premium business of Rs 29,610 crore. For NIA, which received the largest health insurance premium of Rs 2,560 crore, this segment contributed 30 per cent of total premium business across all segments. Compared to corresponding figures in FY14, the share of health insurance in total premium receipts did not undergo a noticeable change. The share of health insurance was higher at 34 per cent for the other public insurer, National Insurance Company.

Among the private insurers, ICICI Lombard clocked the highest health premium business of Rs 900 crore in April-November, FY15. This made up for 20 per cent of its total premium business in the same period. The corresponding health-to-total share in premium business for the other four private insurers were lower than that of ICICI Lombard — 18 per cent in the case of HDFC Ergo, 15 per cent for Bajaj Allianz, and 10 per cent each in the case of IFFCO Tokio and Tata AIG.

Clearly, ICICI Lombard's relative higher focus on health insurance was also helping it record better business from it than private sector rivals covered in our analysis. Bajaj Allianz had the next highest health insurance premium business figure of Rs 500 crore among the five private insurers, but it made up for only 15 per cent of its total premium business of Rs 3,400 crore.

Motor insurance

Motor insurance clearly dominated the general insurance landscape. The total premium business from motor insurance was Rs 13,660 crore in FY15 (till November), which made up for 46 per cent of their aggregate premium business of Rs 29,610 crore. The playing field was almost level with the two public insurers, in our analysis, accounting for Rs 6,760 crore while the five private insurers accounted for Rs 6,900 crore.

NIA and NIC were again the largest two with motor premium receipts of Rs 3,410 crore and Rs 3,350 crore respectively. Their shares in the total were 40 per cent and 46 per cent, respectively.

Among the analysed five private insurers, ICICI Lombard, Bajaj Allianz and IFFCO Tokio were the largest premium collectors from motor insurance with motor premium business figures of Rs 2,230 crore, Rs 1,880 crore and Rs 1,350 crore respectively. Their respective motor-premium-to-total-premium ratios were 50 per cent, 55 per cent and 64 per cent. Clearly, higher premium collections from motor insurance were seen dominating the total general insurance business of these three companies. This was, however, not seen in the remaining two private insurers, Tata AIG and HDFC Ergo, which recorded motor premium business of Rs 740 crore and Rs 710 crore respectively, and had motor-premium-to-total-premium ratios of 42 per cent and 34 per cent, respectively.

Fire and marine insurance

In fire insurance, NIA was the largest public insurer player with premium business of Rs 1,050. It had a fire-to-total ratio of 12 per cent. Among the five private insurers, the ratios were highest in the case of Tata AIG (14 per cent) and HDFC Ergo (12 per cent) although in terms of premium business they were fifth largest and third largest respectively.

In marine insurance, for the two insurer categories, NIA and ICICI Lombard recorded highest premium business of Rs 440 crore and Rs 190 crore, respectively. Their respective marine-to-total ratios were five per cent and four per cent. Tata AIG was seen to be doing well in marine insurance with a marine-to-total ratio of 10 per cent (the highest in our analysed universe). It received Rs 180 crore in marine insurance premium during April-November, FY15.

HDFC Ergo had the least concentration in its ratios of different segments to total premium business. Its total premium business of Rs 2,090 crore came from motor insurance (34 per cent), health insurance (18 per cent), fire insurance (12 per cent), marine insurance (four per cent) and others (32 per cent).

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Insurance industry for 40-50% hike in 3rd-party motor premium - The Economic Times - 29th March 2015

Amidst threat of a nationwide strike by truckers, the general insurance industry has favoured a moderate hike in the third party motor premium to the tune of 40-50 per cent against a steeper increase proposed by regulator IRDA.

The regulator had on March 9 proposed a steep increase in the third-party premium, ranging between 14 and 108 per cent from April 1. This is on top of the 9-20 per cent hike already effected across vehicle categories for this fiscal.

"The industry is of the opinion that the third party premium rates are not adequate, considering our claims experience. Hence, in our view, the premium hike must be in the range of 40-50 percent as it will help us break-even under the segment," New India Assurance Chairman and Managing Director G Srinivasan told PTI.

He also heads the General Insurers (Public Sector) Association. Srinivasan said the industry has already made its representation before the IRDA on the issue through General Insurance Council. Meanwhile, the national transporters lobby the All-India Motor Transport Congress (AIMTC) has strongly opposed the proposed hike and warned of a nationwide strike.

"During its emergency meeting held on March 26, we had decided that if IRDA does not listen to us, then we have no option but to go on a nationwide strike," AIMTC President Bhim Wadhwa said in a statement. The lobby claims to represent around 93 lakh truckers and nearly 50 lakh bus and tourist operators.

AIMTC is opposing the hike saying the number of insurance policies has increased by 13.30 per cent along with the premia that have increased by 76.64 per cent and third party claims have drastically gone down. Also, the claim settled as well as claim outstanding shows substantial decrease. Hence, there is no reason to hike the third party premium, it said.

They also said that the road transport sector is already reeling under most adverse economic conditions where on one side all input costs be it toll, costly tyres, spare parts, insurance, tax component (legal) and other en route expenses are spirally increasing but the freight is not increasing proportionately.

"We submit that if the current third party premium hike is pushed through it would not be possible for us to contain the strong resentment brewing among the transport fraternity across the country," Wadhwa said, adding the IRDA Chairman has not responded to our request for a meeting with him so far.

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Give Genuine Crop Insurance a Chance - The Economic Times (Delhi) – 28th March 2015

Unseasonal rain has damaged the Rabi crop and farmers want compensation. This is in line with tradition. The tradition must change. Proper insurance must play a bigger role in mitigating risk of this kind. India cannot prosper as a nation if its agriculture remains a low-productivity sink of underemployment and poverty that is at the mercy of the gods of the skies and the lords of the realm. Farming must become a profitable, commercially viable activity, in which the pooling of risk across space and time is recognised as a cost as legitimate as the cost of fertiliser, but will not burden the consumer because of high levels of productivity overall.

Pricing of crop insurance covers should be based on actuarial costs, and products made available to individual farmers. Also, insurance companies will sell crop insurance only when they see opportunity for a positive actuarial outcome, overtime and profit. Political interference must end and insurers allowed to run their business on commercial lines. Farmers, as buyers, must recover the insurance cost from consumers through higher productivity. Politicians should focus their energies on building rural infrastructure and on removing the barriers to farmers optimising their income.

India has tried many crop insurance schemes, but all of them have run up against the problem of identifying the exact loss for individual farmers. So, areas were assessed rather than individual farms. The advent of drones that carry sophisticated remote sensing equipment opens up new possibilities in monitoring and assessment of specific, localised damage. This would, in turn, allow farmers to dump patronage and opt for commercial insurance and higher productivity. In farming too, the government should play enabler, not patron saint.

Source

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India: Non-life insurers unprepared for IPOs – Asia Insurance Review

While some private-sector life insurance companies are gearing up for initial public offerings (IPOs), non-life insurers are less ready to tap the stock market for funds. Huge underwriting losses affecting their valuations, and stiff opposition from staff unions in the case of the state-owned general insurers, are the main reasons holding back IPO plans for non-life insurers. It is expected that the valuations of general insurance companies will be less than half that of life insurers, because of claims that exceed premiums collected in some key lines of business, like motor insurance, reported Business Standard.

"Motor third-party and corporate health have seen heavy losses, because the claims incurred are much higher than the premiums collected. The books would first have to be cleared of these before the insurers approach the regulators (Securities and Exchange Board of India and the Insurance Regulatory and Development

Authority of India) with a listing proposal. Otherwise, they would not be able to sustain their return to shareholders," said the head of insurance business in a large accounting firm. The net incurred claim ratio of general insurers is 81.9% for the financial year ended 31 March 2014, with this ratio exceeding 100% for motor third-party and aviation insurance.

"The insurers would be in a better position for an IPO after two or three years, when the overall industry improves, from an underwriting perspective," said Mr Ashvin Parekh, managing partner of Ashvin Parekh Advisory Services. The new insurance law passed by Parliament this month paves the way for the public listing of the four state-owned general insurers. However, no decision or timeline has been decided for the listing of these entities. Their employee unions, meanwhile, are opposed to the insurers being listed.

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Source

Reinsurance

Lloyd's in talks to set up reinsurance biz in India – The Times of India – 27th March 2015

The 327-year-old Lloyd's of London — the birthplace of modern insurance — has started talks with the Insurance Regulatory and Development Authority for setting up reinsurance operations in India. Lloyd's, who is distinguished for its ability to underwrite specialized risks, expects the niche specialty insurance market to more than treble in ten years from the present level of \$850 billion driven by growth in property insurance in emerging markets such as China and India.

In an interview with TOI, John Nelson, chairman, Lloyd's, said that India is a very important part of the institution's international strategy and it has been working with the Indian government to bring the Lloyd's platform onshore. "Fundamentally what this will do is provide the full reinsurance market facilities onshore in India. This will encourage growth of specialty insurance business in India by encouraging domestic insurers to underwrite more such risks."

Unlike conventional global reinsurance companies, where risks are underwritten in one company's balance sheet, the reinsurance cover in Lloyd's is provided by its individual members who are specialists in different lines such as property, marine, energy, cyber risks and political risks. This reduces the utility of a conventional branch, which is why the government has created a special provision for the entry of Lloyd's in the insurance act amendment.

"We are very pleased that the insurance bill with Lloyd's chapter has been passed by Indian Parliament, which will increase insurance penetration. It will aid growth of economy and help diversify some of the major risks out of the country," said Nelson. He added that he expected several members of Lloyd's to set up base in India over time to meet the demand from Indian insurance companies.

The group, which for centuries did most of its business from London, is now moving toward a more decentralized model where it will have regional platforms. According to Nelson, capital has been pouring into the business because of the high returns and the opportunity to diversify. Lloyds on Thursday announced pre-tax profits of \$4.9 billion.

"Low interest rate (regime) is attracting non-insurance financial investors into the market, particularly specialist markets like Lloyd's which provided a return of capital close to 15%. There are two reasons why they like this business — returns and the fact that performance is unrelated to other classes of business," said Nelson. Although returns on fixed investments have fallen, Lloyd's has seen a big jump in underwriting margins due to the absence of catastrophic claims in the last three years.

"Last big year (in catastrophic claims) was 2011 — when we had Thailand floods, the Christchurch earthquake, tsunami in Japan and US winter storms. Compared to that, 2012 to 2014 have been benign," said Nelson.

Source

Insurance companies say that presence of global reinsurers on the ground will enable them to better understand the risks in India. This will lead to improved pricing and availability of insurance cover.

Survey & Reports

Indians have misconceptions about health insurance: Survey - Business Standard 30th March 2015

Awareness about health policies was pretty low among Indians, with many still having the misconception health insurance is meant only for the elderly, according to a survey by Max Bupa Health Insurance. The survey, Max Bupa Health Insurance Pulse 2015, noted 40 per cent of the respondents lacked clarity on the process of increasing their sum insured through top-ups and another 40 per cent were not aware of the difference between cashless and reimbursement claims. One-third of health insurance policy holders admitted they had not read their policy documents.

In terms of gender-related findings, an increasing number of women are becoming the sole decision makers in buying health insurance (55 per cent). However, two-thirds of them are not aware that infants and in-laws can also be covered under health insurance. The survey noted that Indians tend to buy health insurance quite early in life with 32 years being the average age of health insurance buyers.

Fifty-four per cent respondents initiate the buying process on their own without being influenced by agents. Forty per cent of the respondents said they bought health insurance because of rising healthcare costs, while 30 per cent said the health cover provided by their employers was insufficient. The study was conducted to understand how health insurance is perceived, bought and utilised in India. The study was conducted among 1,500 respondents in metros including Delhi, Mumbai, Chennai, Hyderabad and states such as Punjab and Rajasthan.

It said six out of 10 Indians prefer family health cover compared to the four preferring individual cover. According to the survey, 70 per cent of those planning to buy health insurance wish to cover their children, followed by the spouse (66 per cent). Nearly 30 per cent of the respondents who are planning a family also think of buying health insurance.

Consumers with evolving expectations are now looking at holistic health benefits and comprehensive coverage, rather than the health insurance premium that they pay. Medical inflation and a growing incidence of lifestyle diseases have triggered an increase in the sum assured with a realisation that a health cover of Rs 2-3 lakh will prove insufficient in the future. The study reveals that among all the cities surveyed, the average sum insured is Rs 6.25 lakh and the average annual premium paid is Rs 12,000. "Health insurance consumers are evolving from being price-conscious to being value-conscious with majority of them preferring family health plans over individual coverage and opting for a sum insured of Rs 6-7 lakh," said Anika Agarwal, head of marketing at Max Bupa. According to her, since last year, there has been a two-fold increase in the claims from the segment with a ticket size of Rs 10 lakh.

Source

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Problem of being under-insured continues - Mint - 29th March 2015

Survey shows about 93% were sole investment decision makers, only 7% did so jointly with others. In a study on the level of life insurance and the reasons behind why people buy life insurance, by Tata AIA Life Insurance Co. Ltd and Citibank, a total of 362 salaried individuals across six cities—Delhi, Mumbai, Chennai, Bengaluru, Ahmedabad and Kolkata—were surveyed. The number of affluent participants was 242.

Profile of salaried individuals was minimum personal income of Rs.10 lakh per annum, while an affluent participant had banking relationship worth at least Rs.60 lakh. About 93% were sole investment decision makers, only 7% did so jointly with others. In terms of age group, 35% respondents were in the 24-30 years band, a majority of 62% in 31-45 years band and a small 3% in 46-55 years group.

Source

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Urban Indians find health insurance more important than life - Financial Chronicle - 26th March 2015

For urban Indians, health insurance seems to be of more importance than life cover. So they are now going for bigger health covers to protect against medical inflation and lifestyle diseases. Almost 70 per cent of the

respondents from metros, tier I and II cities agree that health cover is much more important than life cover, finds Max Bupa Health Insurance Pulse 2015, a multi-city study conducted by the insurance provider. Increasing awareness about the need for adequate health coverage is also leading to a rise in expectations from insurers. Sixty-nine per cent of the people expect their health plans to cater to all their medical expenses.

The consumers are now looking at holistic health benefits and comprehensive coverage, rather than just the health insurance premium that they pay. Medical inflation and growing incidence of lifestyle diseases have triggered increases in the sum assured. Consumers now realise that a health cover of Rs 2 lakh to Rs 3 lakh will prove insufficient in future. Among the six cities included in the study, the average sum insured was Rs 6,25,000 and the average annual premium paid was Rs 12,000.

The study also finds that Indians keep family first when it comes to health insurance. Around 60 per cent of consumers prefer family health cover against 40 per cent who go for individual cover. Almost 70 per cent of those planning to buy health insurance wish to cover their children, 66 per cent want to cover their spouse, and 30 per cent who are planning a family also think of buying health insurance. The decision regarding the purchase of health insurance is usually driven by the family, with the spouse as the strongest influencer.

“Health Insurance consumers are evolving from being price conscious to being value conscious with majority of them preferring family health plans over individual coverage and opting for a sum insured of is Rs 6-7 lakh. Most of the owners still feel inadequately protected as cost of hospitalisation and incidence of illnesses across age groups is on the rise. We at Max Bupa, have also observed that the most common sum insured individuals opt for is Rs5 lakh and Rs10 lakh in case of a family cover. In fact, there has been a two-fold increase in the claims from the segment with a ticket size of over Rs 10 lakh since last year,” said Anika Agarwal, head, marketing, Max Bupa.

But a large number of customers do not understand the long-term benefit of health cover. While more than half of them self-initiate the purchase process, only 40 per cent of renewals are self-initiated. The average age of health insurance purchasers in cities is 32 years. Contrary to popular belief, tax planning and age are not the only triggers for the purchase of health cover. Doctors’ advice is a key reason for 50 per cent purchase, followed by rise of lifestyle diseases (33 per cent), tax planning (31 per cent) and age (31 per cent).

In addition to hospitalisation, consumers also seek day care treatment, loyalty or renewal benefits and new benefits like maternity. Similar to life insurance, purchasers prefer and trust to buy health policy from agents. More than half or 58 per cent of the people purchase or intend to purchase health insurance from an agent. Banks also emerged as a preferred channel of purchase in the metros.

Source

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Employee benefits in India – Mint – 26th March 2015

As per Marsh’s survey, more voluntary programmes are being built into group insurance schemes In India, more voluntary programmes are being built into group insurance schemes, leading to employees exercising the option to take on additional cover as per their requirements. In this survey across 382 organizations in India as part of Marsh’s 8th Annual Employee Health and Benefits Study, around 18% offer some sort of employee choice through voluntary and top-up plans. With high medical inflation and more employees using health covers, insurance premiums are going up. As costs escalate, it’s essential for organizations to ensure they have long-term and sustainable benefits strategies.

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IRDAI Circular

Source

IRDA uploaded The Insurance Laws (Amendment) Act, 2015

Source

IRDAI issued guidelines for charging the fee from the holder of a policy of life insurance for Registering Cancellation or Change of Nomination to all the life Insurers.

Source

IRDAI issued Guidelines on the Fee for granting written acknowledgement of the receipt of Notice of Assignment or Transfer of a policy of Insurance to all the insurers.

[Source](#)

IRDA released exposure draft of IRDAI (Registration Of Corporate Agent) Regulations, 2015.

[Source](#)

IRDAI issued order on Premium Rates for Motor Third Party Liability Insurance Covers for the Year 2015-16.

[Source](#)

IRDAI issued Guidelines on Appointment of Insurance Agents 2015 –Instructions to Insurers.

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Global News

China: Deposit insurance scheme to start on 1 May – Asia Insurance Review

After years of debating the subject, the Chinese government has announced that a national deposit insurance system will start on 1 May. The move is seen as a significant step toward scrapping remaining controls on interest rates and allowing lending institutions to fail. Deposits and interest up to CNY500,000 yuan (US\$81,000) will be fully covered, the State Council said in a statement on its website. Above that level, compensation would be according to the amount available from a bank's liquidated assets, it said. The dominance of state-controlled lenders has previously left savers believing in an implicit government guarantee.

"The deposit insurance scheme is a very crucial step toward interest-rate liberalization," Ma Kunpeng, a Shanghai-based analyst at Sinolink Securities, told Bloomberg. "Without deposit insurance, you can't set the deposit rates free." Lifting the cap on bank deposit rates will lead to higher interest rates as banks compete for funds. The system would require the deposit insurance fund to make payments to depositors people within seven working days of a credit event such as the failure of a bank.

The People's Bank of China, which is the central bank, has calculated that 99.6% of depositors will be protected in full with a CNY500,000 limit. The People's Bank of China said that it could adjust the insurance limit if economic conditions change. The central bank will manage the deposit insurance fund, which can invest in government bonds, central bank bills, and other high-rated bonds.

Central bank officials said that all banks would be required to pay a fee for the deposit insurance according to the size of their deposit bases and risk profiles. Banks will receive no insurance coverage for their off-balance-sheet instruments.

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Switzerland looks to raise nuclear liability - www.reactionsnet.com

Switzerland will become the latest country to revise its civil nuclear liability rules after the country increased the compulsory commercial insurance levels required by operators to €1.2bn (\$1.3bn), although the exact date these changes come into effect remains unclear.

It is the latest in a series of proposed changes Switzerland has made to its nuclear liability laws which began on June 13, 2008 when the country approved the revised Nuclear Energy Third Party Liability Act and subsequently ratified the international Paris and Brussels conventions.

At the end of last month, the Federal Council approved the newly revised Nuclear Energy Third Party Liability Ordinance.

These changes raise the minimum amount to be covered by private insurers from CHF1bn to €1.2bn, as well as specifying which risks insurers are allowed to exclude. The increase corresponds with those limits outlined in international civil liability programmes for nuclear operators.

Switzerland's Federal insurance programme provides coverage for claims up to €1.2bn which exceed or are not covered by the commercial insurance market.

The updated rules also outlined the coverage required for nuclear research facilities, as well as Federal interim storage site. These operations need coverage equal to €70m, while those engaged in the transportation of nuclear material will need protection of at least €80m. Furthermore, nuclear facilities and nuclear material transportation must be insured separately.

The new nuclear energy third party liability legislation cannot come into force until the revision protocol to the Paris Convention has been ratified by at least two-thirds of the 16 signatory states.

As it stands, 13 of the 16 contracting parties are members of the European Union (EU). The Council of the EU has decided that all the EU member states involved must ratify the Paris Convention, with this expected to take place at the beginning of next year at the earliest.

Switzerland is just one of a series of countries looking to update, or indeed introduce, its nuclear liability laws. Canada will increase nuclear liability to \$1bn as part of the country's new Energy, Safety and Security Act, while India has tasked General Insurance Corporation to set up a nuclear insurance pool as soon as possible following lengthy talks with the US over civil liability relating to the construction of nuclear plants.

Source

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