भारतीय बीमा संस्थान INSURANCE INSTITUTE OF INDIA

Insurance Institute of India

G Block, Plot No. C-46, Bandra Kurla Complex,
Bandra (East), Mumbai – 400051.

Weekly e-Newsletter

21st – 27th December 2012

INSIDE THIS ISSUE:

Insurance Industry

Govt to soon launch social security insurance scheme - Business Standard

A social security insurance scheme for the unorganised sector is likely to be the next big announcement the government will make as part of its inclusive politics agenda in the run-up to the 2014 general elections.

The government is gearing up to launch the scheme, flagged by the National Advisory Committee (NAC) headed byCongress president and United Progressive Alliance (UPA) chairperson Sonia Gandhi. She held a meeting of the NAC today, where department of financial services secretary D K Mittal and labour secretary M Sarangi made a presentation on the salient features, coverage planned, implementation plan and timelines for implementation of the Comprehensive Social Security Insurance Scheme (CSSIS).

In its meeting in March this year, the NAC had pulled up the government for its failure to formulate a social security programme for unorganised sector workers, estimated to be 430 million, though the Unorganised Workers' Social Security Actwas passed three years ago. NAC pointed out this lapse on the part of the government in a communication to the latter.

Earlier, it had made recommendations to the government on a comprehensive social security package for the workers that could be made part of the Social Security Act, through an amendment.

A working group, headed by Mirai Chatterjee, had recommended a package that included health insurance, maternity assistance, a life-cum-disability insurance scheme and a pension plan which should be provided through a single window, backed by an inter-ministerial committee .

The CSSIS, which is the result of all these consultations, will cover life, disability, girl child education (Class IX-XII), optional co-contributory pension (Rs 500 and Rs 1,000 a family per year) on a tripartite basis (government of India, state and beneficiary), and health insurance under the Rashtriya Swasthya Bima Yojana.

Implementation will be entrusted to dedicated verticals in the Life Insurance Corporation.

The scheme, based on the NAC suggestions, is to be rolled out by the central government in 2013-14, after consultations with the states, the council said in a press release issued after its meeting today.

The CSSIS might be part of the Budget 2013-14 announcements.

"In its meeting in March 2012, the NAC had deliberated on social security for unorganised workers to make the Unorganised Workers' Social Security Act, 2008, as inclusive as possible, with a comprehensive social security package to be provided through a single window, backed by a common ICT (information and communication technology) architecture," NAC stressed.

The recommendations of the council were communicated to the government this April.

The NAC meeting was chaired by Sonia Gandhi and was attended by Anu Aga, Narendra Jadhav, Mihir Shah, Pramod Tandon, N C Saxena, Ashis Mondal, Mirai Chatterjee, Farah Naqvi, Deep Joshi and A K Shiva Kumar.

Source – ***http://www.business-standard.com/india/news/govt-to-soon-launch-social-security-insurance-scheme/496402/***

IRDA Regulation

Mis-selling in life plans: IRDA – The Times of India

The insurance regulator has said that life companies have shifted to mis-selling conventional policies after curbs were placed on unit-linked plans.

The comments by the Insurance Regulatory and Development Authority in its latest annual report released last weekend are seen as an indication of possible curbs on conventional or traditional policies. Unlike Ulips where the policyholder can choose the asset class to invest in (equity or debt), in conventional policies an insurer has to park funds largely in debt in keeping with guidelines.

Two years ago, IRDA slashed charges on Ulips and asked companies to ensure that policyholders got most of their money back even if they exit prematurely. The curbs on Ulips meant that insurers had to cut commission they paid to agents, making it less attractive for distributors even though they are much more customer friendly now. These curbs on charges are not yet applicable on traditional plans, which provide a higher incentive to distributors.

"A drill down into the category of 'Unfair Business Practices' for the year 2011-12 shows that mis-selling is predominant in the conventional policies category as against Ulips, which was the case earlier. The regulatory interventions by IRDA on Ulips have brought down the percentage of complaints pertaining to this category, reflecting an improvement in the conduct of business in this area," IRDA said in its annual report.

IRDA's conclusion on the prevalence of mis-selling is based on its analysis of investor grievances. "The initiative of IRDA in implementing the Integrated Grievance Management System (IGMS) has created a central repository of industry complaints, which lends itself to various types of analyses relating to conduct of business by insurers. An analysis of the data in IGMS for the year 2011-12 shows that in the life insurance area, complaints relating to mis-selling, or 'Unfair Business Practices' as the category is called in the system, is predominant. Prior to this, the category 'Policy Bond Not Received' was the predominant reason for complaint," IRDA said.

According to the regulator, its prescription of a 'prospect product matrix' will determine suitability of products based on needs analysis and will reduce mis-selling. IRDA has said that mis-selling arising out of new technologies has been addressed through guidelines issued by the authority for distance marketing as well as guidelines for web aggregators. IRDA is now analyzing other areas relating to mis-selling, including tampering and forgery, tying and bundling, with a view to ensuring that the industry puts in place better systems to prevent or reduce such instances.

Source –
http://timesofindia.indiatimes.com/business/india-business/Mis-selling-in-life-plans-IRDA/articleshow/17735978.cms

Irda for insurers opening 25% of new offices in smaller areas – The Indian Express

Insurance sector regulator Irda has proposed to make it mandatory for insurers, who have been in business for 10 years, to open at least 25 per cent of new offices in areas that have a population less than 1,00,000.

"An insurer that has completed 10 years of business is proposed to be mandated to open at least 25 per cent of new places of business in places where population is not more than 1,00,000," Irda has proposed in its Draft Exposure on Insurance Regulatory and Development Authority (Places of Business) Regulations, 2012.

The proposed regulations have been made to help increase the penetration of the sector in rural and semi-urban areas, Irda said.
The existing regulatory approach of requiring insurers to follow certain requirements while opening/closing/relocating various places of business deserves to be strengthened.

Irda said an insurer having solvency ratio of 1.5 and expenses of management within the extant limits in the preceding three financial years are proposed to be permitted to open new places of business, in places where population is not more than 1,00,000, 15 days after submitting the information on the same.

"The proposed limit of 1,00,000 on population is, to encourage the opening of places of business in Tier 2 and below towns/villages," it said.

It added that in respect of all other places of business, the insurers will be accorded approvals on an aggregate basis once in a financial year, based on their expansion plans.

However, insurers are allowed to approach Irda for any urgent business proposals for opening any other places of business, it added.

The Draft Exposure also proposes to mandate insurers to offer minimum policyholders' services such as collection of premiums/proposal deposits and status confirmation of policy service requests in all the places of business.

It has also been proposed in the draft regulations "that the objective of opening a new place of business shall be for long run, shall not be for short term durations".

Further, Irda said closure/relocation of the places of business by insurers should be after due consideration of all the factors including possible inconvenience to its policyholders.

"A minimum of 2 months advance notice on the proposed relocation/closure should be notified to policyholders serviced by that place of business along with information on alternate arrangements being made to provide services to them.

It said the details of relocation as well as closure of place of business shall be reported to Irda soon after any such move.
Irda has invited comments on its draft regulations by various stakeholders.

Source –
http://www.indianexpress.com/news/irda-for-insurers-opening-25--of-new-offices-in-smaller-areas/1048663/0

IRDA, Finmin at odds over nod for online sales of insurance policies – The Economic Times

The insurance regulator has expressed reservations over the finance ministry's view that firms need not take another approval for insurance products sold online, arguing that such plans need to be assessed differently from those sold through intermediaries.

The ministry is seeking to push online insurance products because it believes that cheaper plans available online can help expand the coverage across the country from the abysmally low 4.4% for life insurance and 0.7% for nonlife insurance.

The official said that in case of online policies, a record should be maintained as per a pre-set format to ensure that the product sold is what the customer asked for.

"In order to protect the investor interest, it is required that separate approval for online policies is given," the official said.
The ministry has refused to buy this argument, though, and asked the IRDA to fix a ceiling for all products and charges per deal.

"Our view is there is no need for a re-approval as it causes unnecessary delays. As far as pricing is concerned, the insurance companies and web aggregators can work that out within the IRDA ceiling," said a senior finance ministry official, requesting anonymity.

Industry players admit that a separate clearance for online policies is a tedious task and often acts as a deterrent.

"If a product can be sold directly or through phone and has the same features, then there is no need for a second approval for an online product," said the chief marketing officer of a private sector insurance firm.

But online web aggregators feel that the conditions laid by the IRDA are too stringent. "At present, we get Rs 30 per lead or 25% of the commission earned on premium. They also need to revisit these norms if the online insurance penetration has to be increased," said an industry player, who did not wish to be named.

Akshay Mehrotra, chief marketing officer of Policybazaar.com, one of the bigger online insurance aggregators, said the online potential was yet to be fully tapped.

"There are only three pure online ULIP (unit-linked insurance plan) products available as of now. Insurance firms also need to develop focused online products for expanding reach," said Mehrotra.

Since the beginning of this month, the firm has sold about 15,000 policies online. As per industry reports, the sale of online insurance has almost doubled over the past year and online insurance industry is expected totouch Rs 1,500 crore by the end of this fiscal.

Most industry players, such as Aegon Religare Life Insurance, Aviva India, HDFC Life, and ICICI Prudential Life Insurance, also have online insurance products.

Source –
http://articles.economictimes.indiatimes.com/2012-12-24/news/35991707_1_web-aggregators-online-insurance-insurance-products

Irda invites tender to find solution for fraud in health segment - Business Standard

The Insurance Regulatory and Development Authority (Irda) has invited a request for proposal (RFQ) from organisations for finding a solution for fraud in the health segment.

Insurers said this would lead to a significant reduction in claims and would also mean reduction in premiums in the long term.

“In order to reduce the cost of insurance inflicted by fraud, it is proposed to build advanced detection and prevention systems at industry level to identify fraudulent claims before payment occurs and to improve the accuracy of fraud detection,” Irda said in a notice.

The regulator further said the initiative was intended to minimise cost at industry level by centralising data, without individual insurers having to necessarily resort to both software and hardware solutions for the purpose of fraud prevention, analysis and reporting. Through this tender, Irda has proposed to enter into a partnership with a bidder (company) to help detect, prevent, manage and control industry-wide fraud affecting the insurance industry.

K G Krishnamoorthy Rao, managing director and chief executive officer of Future Generali India Insurance, said this would lead to sharing of information about health insurance-related fraud. He added the consumer would also be benefitted, since a reduction in claims due to an integrated depository of frauds would automatically lead to a drop in premium.

Irda aims to enable the industry to underwrite the proposals effectively by getting up-to-date information, fraud alerts and medical history from the central database and also price products based on a reliable database. It is also looking to assist insurers to efficiently manage claims, so that genuine customers do not face hassles by getting relevant information on fraud and claim reporting patterns.

Sanjay Datta, head of underwriting and claims at ICICI Lombard General Insurance, explained fraud had been an existent issue in the industry since its inception. “We should avoid and eliminate this fraud. Irda’s initiative will help us collaborate at an industry level. For customers, too, premiums may reduce. Even if they don’t, there would not be a significant rise, as the number of fraudulent claims will come down,” he said.

The last date for submission of the bid by the interested parties is 18 February 2013.

Source –
http://www.business-standard.com/india/news/irda-invites-tender-to-find-solution-for-fraud-in-health-segment/496910/

Survey & Reports

Insurance density falls for first time in India: Report - Business Standard

The Insurance Regulatory and Development Authority (Irda) said the country had a fall ininsurance density in 2011, the first year this happened since the opening of the sector to private participation.

The figure fell to $49 (Rs 2,695 approximately) in 2011, from $55.7 (Rs 3,063) in 2010. According to the Irda Annual Report for 2011-12, there was an increase hitherto in insurance density for every subsequent year from 2001.

The measure of insurance penetration and density reflects the level of development of the sector in a country.

While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population (per capita premium).

The fall is mainly, it appears, due to the fact that the life insurance sector saw a slowing in premium growth after the September 2010 regulations on unit-linked insurance policies. Similarly, insurance penetration, which surged consistently till 2009, slipped for a consecutive year and was at 4.1 per cent in 2011, compared to 5.1 per cent in 2010. This has been attributed to a slower rate of growth in life insurance premium as compared to the rate of growth of the Indian economy.

In comparison to other emerging markets, life premium income fell sharply as premium volume shrank in China and India.

“The introduction of tighter regulations governing bancassurance in China and the distribution of unit-linked insurance products in India resulted in a sharp fall in new life premium growth,” said Irda’s annual report.

It further showed that on the basis of total premium income, the market share of the largest insurer, Life Insurance Corporation (LIC), increased marginally from 69.8 per cent in 2010-11 to 70.7 per cent in 2011-12. The market share of private insurers dipped marginally from 30.2 per cent in 2010-11 to 29.3 per cent. In renewal premium, LIC continued to have a higher share at 69.9 per cent (70.5 per cent in 2010-

11), compared to 30.1 per cent (29.5 per cent in 2010-11) for private companies.

The total capital of life insurance companies as on March 31, 2012, was Rs 24,932 crore. During 2011-12, an additional capital of Rs 1,270 crore was brought in.

The non-life insurance sector underwrote total premium of Rs 52,876 crore in India for 2011-12, against Rs 42,576 crore in 2010-11, a 24.2 per cent growth. The premium underwritten by 15 private sector insurers (other than those insurers carrying on the exclusively health insurance business) in 2011-12 was Rs 22,315 crore as against Rs 17,425 crore in 2010-11. The total paid-up capital of non-life insurers as on March 31, 2011, was Rs 6,706 crore, the report further showed.

In terms of underwriting losses, the report showed losses of non-life insurance companies decreased to Rs 8,817 crore in 2011-12, from Rs 9,944 crore in the previous year.

With the third-party motor pool being dismantled from April, insurers expect these losses to further even out in 2012-13.

At end-September this year, there were 52 insurance companies in India, 24 in the life insurance business and 27 in general insurance. General Insurance Corporation is the sole national reinsurer.

Source –
http://www.business-standard.com/india/news/insurance-density-falls-for-first-time-in-india-report/496418/

Non-life insurance business surges 25% - The Hindu Business Line

Non-life insurers are doing booming business, in stark contrast to their counterparts in the life cover sector.

The premium income of non-life insurers surged 25 per cent in 2011-12, while that of their counterparts in the life segment dropped 1.57 per cent, according the annual report of the Insurance Regulatory and Development Authority for 2011-12 released on Friday.

PRIVATE PLAYERS DID BETTER
Industry experts say the trend is expected to continue this fiscal too. Non-life insurers notched up a premium income of Rs 52,876 crore for the year, up from Rs 42,576 crore the previous year.

In this segment, private insurers did better than their public sector counterparts.

While the private companies achieved a 28 per cent growth at Rs 22,315 crore, those in the government sector clocked 21.50 per cent at Rs 30,560 crore.

Although ICICI Lombard continued to be the largest private sector non-life cover company, it reported a marginal decrease in market share from 9.99 per cent to 9.74 per cent in 2011-12, the report points out.

MOTOR INSURANCE
The biggest driver of growth in the non-life segment was the motor business, which accounted for a 45.84 per cent share during the year, up from 42.68 per cent the previous fiscal.

The health space also saw significant increases — the premium collection here surged to Rs 11,777 crore over the year, up from 9,944 crore the previous year, a growth of 18.44 per cent.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/nonlife-insurance-business-surges-25/article4242035.ece

IRDA Circular

Non-life (except health) insurance products cleared during the financial year 2010-11 is uploaded on IRDA website.

Source –
http://www.irda.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo1814&flag=1

Global News

Asia

Capital surcharge will add to gov't burden - IIF

A proposal by the International Association of Insurance Supervisors (IAIS) to curb insurers' capital to prevent a repeat of AIG's 2008 taxpayer bailout could raise the cost of insurance, making more people dependent on the state, reports Reuters, citing a finance sector lobby group.

"As currently designed, there is a high risk of detrimental unintended consequences," the Institute of International Finance (IIF) was reported as saying.

The IAIS proposal calls on big insurers involved in risky activities beyond their core business, such as derivatives investment, would have to hold extra capital, be subject to closer regulatory scrutiny, and would have to draw up detailed plans for winding themselves down in the event they fail.

But the IIF says a capital surcharge, if applied across all big insurers, would make it harder for them to pool risk, pushing up the cost of cover and forcing more households and businesses to rely on the state for protection.

Reuters quotes an IIF official as saying a blanket capital surcharge "may raise the cost of offering traditional insurance products and result in reduced availability of products currently meeting social needs".

The IAIS proposals also "borrow excessively" from parallel regulations designed for the banking sector, and do not take key differences between the two industries into account, the IIF says.

Insurers argue they are fundamentally less risky than banks because they do not lend and their customers cannot withdraw cash overnight.

Meanwhile, the Geneva Association, an insurer-funded think tank, says any additional curbs on insurers needed to reflect the fact they are on average smaller and less intertwined with the global economy than banks.

Source –
http://www.asiainsurancereview.com/News/View-NewsLetter-Article/id/26684/type/eDaily/Global-Capital-surcharge-will-add-to-gov-t-burden-IIF

UK

Industry to stay competitive despite Gender Directive – ABI

The insurance industry will remain competitive despite the introduction of the EU Gender Directive, according to the ABI. The directive, which came into force on Friday, prevents insurers from basing prices on the sex of the policyholder.

Before the directive came into force women drivers typically enjoyed cheaper premiums than men for motor insurance because they are statistically safer drivers.

Following the directive, women are expected to see premiums rise for their car insurance, while men should see reductions. The ABI said in a statement: "Insurance is all about matching price to risk. We have opposed the gender ruling on behalf of our customers, as it goes against this principle.

"Although insurers can now no longer take gender into account, they will continue to look at other relevant risk factors to ensure consumers benefit from the most competitively priced insurance. The insurance market will remain competitive and customers should continue to shop around to get the right policy at the best price."

Source –
http://www.insurancetimes.co.uk/industry-to-stay-competitive-despite-gender-directive-abi/1400296.article