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Pele

INSIDE THE ISSUE

Source

Insurance Industry

Banks, insurers push for big tax breaks to operate in IFSC - The Indian Express – 25th June 2015

Banks and insurance companies have pushed for major tax breaks to operate in Gujarat International Finance Tec-City (GIFT), the country's ambitious International Finance Centre (IFSC) coming up near Ahmedabad. Top bankers and insurers told the officials of the finance ministry and regulatory bodies in a closed-door meeting in Mumbai on Wednesday that "it doesn't make sense to start operations in the IFSC without enough tax incentives".

The ministry has called another meeting in Delhi in the next 10 days to get the IFSC in GIFT City running. "We need tax concessions to operate in the IFSC. If we have to attract business going to Dubai or Singapore, the government should come out with a favourable structure. We need more clarity on the tax front," the chairman of a public sector insurance company said at the meeting.

Currently, there's a minimum alternate tax (MAT)of 18 per cent on projects in special economic zones which incidentally is the lowest tax. However, ministry officials, including Financial Services Secretary Hasmukh Adhia, who were present at the meeting did not give any indication about the tax structure being planned.

A top official who attended the meeting said GIFT has proposed zero corporate tax and less than three per cent MAT in order to become a globally competitive offshore centre. "The government is expected to announce the tax structure in the next Union budget in February 2016. The IFSC will kick off operations in fiscal 2016-17," he said.

Another participant said the government and the RBI should bring minimal exchange regulations in the IFSC. In short, financial sector players are seeking nothing less than big tax breaks and facilities available in Dubai, Malaysia or Singapore to kick-start operations.

Back

Govt to clarify on ownership in insurance sector after hike in FDI cap – Mint – 24th June 2015

The government will soon clarify on what ownership and control means in the Indian insurance sector. The move could come as a major relief for promoters of insurance companies that are majority owned by foreign investors. Parliament had earlier increased the foreign direct investment (FDI) cap in the sector to 49% from 26%. But it said that ownership and control shall remain at all times with resident Indian entities.

This created uncertainty for promoters of insurance companies that were majority owned by foreign investors, such as Housing Development Finance Corp. Ltd (HDFC) and ICICI Bank Ltd. Foreign holding in both ICICI Bank and HDFC is more than 70%.

"In this visit, FM has clarified that we will soon issue regulation which will clarify what ownership and control mean (in the Indian insurance sector). And the way we are planning them, the investor should be very satisfied," said Rajiv Mehrishi, finance secretary, in an interview to CNBC TV18, referring to the finance minister's US visit. "The current understanding (of insurance companies and their promoters) is an extreme understanding. It was never intended that way. We should clarify by July or August," he said.

HDFC declined to comment. An email to ICICI Bank remained unanswered till now.

On 24 June, The Economic Times reported that the Insurance Regulatory and Development Authority of India has asked insurance companies looking to increase foreign ownership to ensure that the domestic promoter should be majority owned by Indian promoters.

This is adding to the confusion among companies and could further stall the opening up of the sector. HDFC and ICICI Bank are likely to wait for these regulations by the government before monetizing their insurance subsidiaries. So far, only one proposal of Axa increasing its stake to 49% in its two joint ventures with Bharti has received the foreign investment promotion board's nod.

Source

Prior to the increase in the FDI cap, the department of industrial policy and promotion clarified in 2010 that holdings of firms such as HDFC and ICICI Bank in insurance subsidiaries would be exempt from foreign ownership norms. Insurers have asked the government whether that exemption still holds.

Back

Insurers, PFs wait to lap up 30-year bond - Financial Chronicle – 18th June 2015

The Reserve Bank of India (RBI)'s new 30-year government security (G-sec) bond will make its debut on Friday, benefiting a host of institutional investors such as Employees' Provident Fund Organisation, pension funds, provident funds and life insurance companies that have maturity mismatches on the asset side.

These bond issues are going to fix asset-liability mismatches for these long-term investors. "Life insurers sell longer tenure products, such as pension plans and annuities, which have an investment horizon of 10-20 years. Although there are 30-year to 35-year bonds available, we would like to have more options to invest in safe haven papers. The new issue will help deepen the government bond market," Vibha Padalkar, chief financial officer of HDFC Life Insurance, told Financial Chronicle.

An investment head with a mutual fund house, who didn't want to be named in this report, said, "From a held-to-maturity perspective, it would be more suitable for provident funds and insurers, but as interest rates have the potential of coming down, this bond can also be favoured by other investor categories, such as mutual funds." India Ratings and Research said foreign institutional investors such as overseas pension funds, provident funds and insurance funds could be large investors, as the yield is highly attractive compared with their home countries in Europe and North America. "However, this opportunity will remain limited due to the cap on FII investment in the debt market," the rating agency said.

"RBI may consider an interest rate reset clause at the end of 15 years to address interest rate risk. The reset can be based on a 364-day T-bill plus spread basis," India Ratings said. RBI has announced that it would auction the 30-year government bond on June 19. India Ratings said the 30-year bond would fix structural issues for domestic companies in need of long-term funding, especially for infrastructure projects.

Source

The global experience has been that long-tenure government securities facilitate setting a benchmark for other issuers such as banks, financial institutions and companies to access long-term funding through capital markets. Lack of a benchmark has often been sighted as a shortcoming, which prevents Indian institutions from raising their much-needed long-term funding from capital markets. Typically, infrastructure companies are unable to raise funds for more than nine to 10 year, while their projects need funding for 20 to 25 years. Banks have significant loans in the 20 years-plus category without sufficient similar tenure liabilities to balance it.

Back

IRDAI Regulation

Foreign ownership in parent companies should be brought down to 49% in a year: IRDA - The Economic Times – 24th June 2015

New rules proposed by India's insurance regulator could thwart investment plans of some of the world's biggest insurance companies and work against the government's attempts to simplify laws on foreign ownership, industry executives say.

The Insurance Regulatory and Development Authority (Irda) has stipulated that all insurance companies seeking higher foreign ownership should comply with norms that restrict such increase to only companies owned and controlled by Indians at the parent level.

This, experts say, is likely to prevent higher foreign ownership in some of India's biggest private sector insurance players such as HDFC Standard Life, owned partially by UK's Standard Life. The Narendra Modi government came to power last year promising to lift growth, provide jobs and sweep away archaic rules holding back business and investment. His government also promised to make rules simpler and easier for foreign investors and the insurance Bill allowing foreign ownership of up to 49% in Indian insurance companies was a key item on the agenda.

Read more at:
But the passage of the Bill has been followed by heartburn due to the clause on Indian ownership and control. By insisting on Indian majority ownership at the parent level, the law may make it very difficult for largescale insurance FDI. It also makes things complex and cumbersome, belying government assertions of a transparent and simple FDI regime.

"We are waiting for the matter to be resolved by the department of financial services," said Amitabh Chaudhry, MD and CEO, HDFC Life. The problem for foreign insurance firms and their Indian partners is acute. It is no longer a simple job of increasing investment by handing out a cheque and securing clearances. The partners also have to ensure that the entity which controls the Indian investment in the insurance venture is majority owned and controlled by Indians.

For instance, mortgage giant HDFC owns 74% in HDFC Standard Life. Standard Life wants to increase its stake in the firm from 26% to 35% and leave some room for FIIs in case the firm floats an IPO. Under current rules, they will not be allowed to do this.

This is because parent HDFC is owned 80% by foreign offshore funds, making it technically a foreign-owned firm. Irda has said foreign shareholding in parent companies should be brought down to 49% in six months to one year, a considerably difficult task as it will have to involve massive selling by large overseas investors in some of the marquee blue chips. This is not just difficult but quite impossible as there is no reason why FIIs would sell just because of insurance sector regulations..

"This will have an implication on the current ownership of the existing companies," said G Murlidhar, MD and CEO, Kotak Life Insurance. Kotak Mahindra BankBSE -0.22 %, the parent of the insurance venture, has a similar problem. Foreigners do not yet own a majority but Kotak wants to increase its FII ceiling from 48% to 55%. Its application has been put on hold as the Foreign Investment Promotion Board (FIPB) feels the increase would affect its insurance venture as the bank would pass into foreign hands with a higher FII limit.

"Every insurer being an Indian insurance company and who have already been granted certificate of registration for carrying on insurance business in India shall ensure the compliance of Indian owned and controlled as specified in Section 2(7A) of the Act within six months from the date of notification of these regulations," Irda said in a circular. The draft of the regulations was sent to companies on June 8, and Irda is expected to soon notify guidelines.

Some experts are peeved that the change was made only in the recent amendments to the Bill. Offshore strategic partners could have substantial control rights on operational and financial policy decisions of the joint venture in the earlier regime which is now not possible. "One could argue that these regulations amount to a retrospective application of a new law since the criteria of 'owned and controlled' did not apply to insurance companies prior to 2015 Amendment Act," said Simone Reis, partner-M&A, Nishith Desai Associates.

Source

Back

Irdai asks TPAs to keep out of settling claims, soliciting biz - Business Standard – 20th June 2015

Third party administrators (TPAs) in health insurance will have to keep out of deciding on claims or soliciting business, according to draft guidelines of Insurance Regulatory and Development Authority of India (Irdai). In the draft guidelines, the regulator has clarified: "Health services by TPA" means services rendered to an insurer under an agreement, in either pre-authorisation of cashless treatment or settlement of other claims. Neither the rejection of claims nor procurement of insurance business, directly or indirectly, is part of TPA services.

Officials in the insurance sector said several TPA services were terminated by companies after discovering fraudulent practices. The head of claims of a private general insurer, who did not want to be named, said some TPAs tried to mislead customers by rejecting their policy claims. Such decisions are not within their jurisdiction and they have been removed.

Some un-licensed organisations have also been trying to dupe policy holders by telling them that they can settle claims in exchange of cash. Irdai said a TPA cannot service personal accident claims. If any claim is rejected, Irdai has asked the TPA to provide exact policy clause, condition number or numbers based on which the said claim is denied.

TPAs assist insurers in settling health insurance claims. The public sector general insurers have their in-house TPA (common for all four state-owned non-life insurers) that will begin operations soon apart from external TPAs. Private sector insurers on the other hand either have individual in-house TPAs or rely completely on external TPAs for claims handling.

"There have been several complaints from customers about how some TPAs have been rejecting claims in an unauthorised manner. The regulator is also cracking down on these firms," said a senior official from the Insurance Ombudsmen office. Irdai has said that during the course of the settlement of claims under health insurance policies, either the insurers or the TPAs may be obtaining discounts from various network providers or also from other hospitals outside the network. It added that they should ensure that the discounts obtained from the hospitals, if any, are passed-on to the policyholders or the claimants of the concerned health insurance policy.

The insurers and TPAs have been asked to mandate the hospitals to reflect such agreed discounts in the final hospitalisation bill of each claim, by which the policyholder or the claimant can also be aware of the actual bill raised by the hospital. Where the admissible claim amount is more than the sum insured, the agreed discount will have to be effected on the gross amount raised in the bill, before letting the policyholder or the claimant bear the costs over and above the eligible claim amounts.

In cases of some health insurance policies where there is co-payment or the deductible conditions, the insurer or TPAs has to ensure that the said co-payment or deductible is effected only after netting of the discounts offered by the hospital. The regulator has said TPAs can service foreign travel policies and health policies issued by Indian insurers permitting treatment outside India.

Further, they can also offer health services to the foreign travel policies issued by foreign insurers for the policy holders who are travelling to India. Such services would be restricted to the health services required to be attended during the course of the visit or the stay of the policyholders in India. To deal with malpractices, TPAs will also be required to have systems in place to identify, monitor, control and deal with fraud including hospital abuse, by various agencies including healthcare providers. Concerned stakeholders have been asked to give in their views on the regulations by July 1, post which this would become mandatory rules for TPAs.

Source

Back

Life Insurance

Private life insurers turn focus on HNI customers - Financial Chronicle – 21st June 2015

Private life insurance companies' increased focus on high networth individuals (HNIs), it seems, is paying off as there is a consistent rise in the average premium per policy in the last 18 months.

Take for example the largest private life insurer, ICICI Prudential Life Insurance. The average premium for a regular premium policy during the first two months of the financial grew by 164 per cent to Rs 84,380. This is the highest ticket size in the industry. For 2014-15, ICICI Prudential Life's case size had grown by 73 per cent to Rs 72,581.

Similarly, Kotak Life Insurance has witnessed 43 per cent growth year-to-date ended May 2015 in the average premium per policy to Rs 46,022, Aviva has seen the ticket size grow by 23 per cent to Rs 43,863, Tata AIA Life witnessed 18 per cent growth to Rs 41,410, Future Generali also grew the average premium per policy by 68 per cent to Rs 39,531 during the first two months of the financial year.

However, some players like HDFC Life, PNB Metlife, Reliance Life and Birla Sunlife witnessed a negative growth in ticket size during the two months of the present fiscal. An official of ICICI Prudential Life Insurance told FC: "We are focussing more on HNIs for the last several quarters, this has led to an increase in the average premium per policy. Also, we continue to focus on Ulips where ticket sizes tend to be higher than traditional policies."

Kotak Life Insurance MD & CEO G Murlidhar, said, "We are consciously selling high premium policies as these offer good value and help a customer meet his needs." While other bank-promoted life insurers focussed on Ulips, Kotak Life insurance's 80 per cent business is traditional business. For 2014-15, the ticket size for Kotak Life Insurance regular premium plans grew by 17 per cent to Rs 38,221.

For private life insurers, the average regular premium policy grew by 16 per cent to Rs 34,573 during year-to-date. However, for public sector behemoth Life Insurance Corporation of India (LIC), the ticket size fell by 30 per cent to Rs 11245. Despite the recent correction in the stock market in the previous two months, people continue to prefer Ulips. Bank-promoted life insurance companies registered a strong growth in the individual adjusted first year premium that takes into account 100 per cent regular premium and 10 per cent single premium.

Private life insurers witnessed 12 per cent growth in individual adjusted first year premium to Rs 1784 crore while LIC witnessed a decline of 15 per cent to Rs 2160 crore. However, if one takes into account the total first year premium (group business and individual first year premium), LIC grew by 21 per cent to Rs 9,384 crore during April and May 2015, compared to Rs 7,757 crore during the corresponding period last year. Private life insurers grew by 32 per cent to Rs 4,267 crore (year-to-date).

Source

Back

Health Insurance

Insurers look at specific critical ailment products - Financial Chronicle – 24th June 2015

Despite being in the market for several years, critical illness policies have not taken off well yet. Nevertheless, insurers are now looking at products for specific critical ailments like diabetes, cancer and cardio-vascular diseases.

In the health insurance market, mediclaim products account for the major chunk of policies. "While mediclaim policies make up for around 90 per cent of the market, critical illness cover could be about five per cent. The awareness about health insurance itself has been very less and those who are covered by employer's group mediclaim cover, find it sufficient enough," said Suresh Sugathan, Head Health Insurance, Bajaj Allianz General Insurance.

According to him, CI policies are growing at a rate of five to seven per cent, much lesser than mediclaim policies growing by 15 to 20 per cent.

Sujoy Manna, VP, product, HDFC Life finds that the reluctance of the distributors, especially those selling life products, to sell health products too has been a reason behind the lesser acceptability of CI cover. "Some of the life players have CI as riders. Insurance is a distributor-driven business and neither the distributor nor the customer is interested in getting medical tests done for health products,' he said. However, insurers are not shying away from critical illnesses. Some of them have come up with products for specific diseases like diabetes, cardio-vascular ailments and cancer.

"The incidence of these ailments is rising and the awareness about the need for additional cover is also increasing," said Sugathan.

Manna finds that critical illness policies cover around 20 ailments and the grade and severity of the illness is taken into consideration while providing the sum insured. "CI policies are more complicated, while disease specific products try to understand the attributes of that disease well. Most CI policies provide sum insured only for major stage cancer, while our new cancer product covers both early and major stages," he said. The buyers do not have to undergo medical tests for disease specific covers. Compared to critical illness covers, the pricing too is attractive for some of the disease-specific products, he added.

"If the insurers did not find a business proposition and customers did not find a value proposition in critical illness policies, the next logical step for the industry is to disintegrate it into standalone products for specific diseases," said Sanjay Pande, executive director of Amicus Advisory. However, these products will work well only for a few diseases like diabetes, cardio-vascular ailments and cancer, incidence of which is high and increasing, added Pande.

Source

Back

Pass on discounts to health cover claimants: IRDAI - The Hindu Business Line – 23rd June 2015

Asking insurers to get the best and cost-effective services for health insurance claimants, regulator IRDAI has directed them to pass on discounts, if any given by hospitals, to policyholders. In a circular to insurers and Third Party Administrators (TPAs), IRDAI said they may be obtaining discounts from various network providers and other hospitals outside the network during settlement of claims under health insurance policies.

"While every insurer and TPA shall endeavour to get the best and cost effective services to the policyholders or the claimants of health insurance policies, it shall be ensured that the discounts obtained from the hospitals, if any, are passed on to the policyholders or the claimants of the underlying health insurance policy," it said.

It also asked them to put in place procedures including mandating the hospitals to reflect such agreed discounts in the final hospitalisation bill of each claim, whereby the policyholder or the claimant can also be aware of the actual bill raised by the hospital.

Source

Back

General Insurance

General insurers expand teams for SME insurance - Business Standard – 20th June 2015

Reliance General Insurance has started a new vertical for SME (small and medium enterprises). The company is looking to take the assistance of technology to have packaged products to meet their specific needs. The insurer and several others are now beginning to have separate verticals and trained teams to look into the needs of SME clients. Rakesh Jain, CEO, Reliance General said, "We plan to have about 40 dedicated personnel in the SME vertical who would look into this business. We already have 10 people in the team."

SME insurance cover is seeing a rise in India., with respect to the products offered and the companies that offer these products. Insurance executives said even the smallest of business interruptions could make a big hole in an SME's balance sheet. An SME cover gives the flexibility to pick and choose covers of one's choice in a single policy. The standard package policies include cover from burglary, equipment breakdown cost, accident cover and workmen's compensation, apart from public liability and recall covers for some segments like auto components.

Sanjay Datta, head of underwriting and claims at ICICI Lombard General Insurance explained that with banks putting a condition to have adequate protection for getting funds, SMEs are more forthcoming to take a policy. He added that they also have a dedicated channel which looks into the SME business. It is not just insurers, but brokers as well, who are specifically looking to set up dedicated services for SMEs.

T L Arunachalam, director, Global Strategy and Special Projects, Bharat Re-Insurance Brokers, said they hold regular discussions with SMEs, to find out whether they are adequately insured or whether the cover that they have taken is adequate to cover the risks that they may be subject to. At present, SME insurance comes under package insurance for corporates which forms a small part of the overall portfolio of the general insurance industry. Going forward, industry officials expect the business to form 20-25 per cent of their overall portfolio.

Source

Back

Insurers meet most of J&K flood claims - Deccan Herald – 19th June 2015

Insurance companies have paid claims of Rs 1,805.87 crore towards losses incurred due to floods in Jammu and Kashmir in September last year, according to Finance Ministry data. While public sector general insurance companies settled 13,612 claims out of the 13,909 claims lodged, and paid Rs 729.75 crore, their private counterparts have paid Rs 1,076.12 crore, the Finance Ministry said on Thursday.

"The private sector general insurance companies received 34,163 claims, of which 31,195 claims have been settled for an amount of Rs 1,076.12 crore," the Finance Ministry said in a statement. The ministry said that public sector general insurance companies have 297 claims remaining, for which final settlement is in the process.

"At least 2,684 claims are under process with private sector general insurance companies for Rs 225.17 crore. They are in the process of settlement," the ministry added. Life Insurance Corporation (LIC) got seven death claims while private sector life insurers received 24 death claims. All the death claims have been settled, according to the Finance Ministry.

Source

Back

Agriculture minister Radha Mohan Singh launches insurance portal for farmers - The Economic Times – 19th June 2015

Agriculture minister Radha Mohan Singh launched an insurance portal on Thursday for farmers that will help with queries and getting cover. "Farmers suffer huge losses due to their non-awareness about insuring their crops and its procedure. There was an urgent need for a portal which could educate and help them," said the minister, who also launched a weather alert service. An online interface for filing insurance applications and allowing the scrutiny of these by banks is proposed to be developed in the second phase.

Under the current provisions, farmers can insure their crops under three programmes — the National Agriculture Insurance Scheme (NAIS), Modified National Insurance Scheme (MNAIS) and Weather-Based Crop Insurance Scheme (WBCIS). Besides this, the Coconut Palm Insurance Scheme (CPIS) is applicable in some parts of the country. However, as per the agriculture ministry, only about 20% of gross cropped area was insured in 2014-15.

The new web-based portal (www.farmer.gov.in/insurance) has been developed to enter essential information under the three schemes cited above. An insurance calculator has also been provided. Farmers will be able to browse through databases of insurance companies to get details of various schemes notified in their areas and the premium applicable, said the minister. The Department of Agriculture and Cooperation (DAC) has also kicked off Nowcast for extreme weather warnings through SMS.

Source

Back

India's research reactors not under nuclear insurance pool - The Hindu Business Line – 18th June 2015

India's research reactors will not be covered under the newly set-up nuclear insurance pool as they are owned by the union government, a top official of the Bhabha Atomic Research Centre (BARC) has said. "The Rs.1,500 crore ($234 million) India Nuclear Insurance Pool is mainly for power plants operated by Nuclear Power Corporation of India Ltd (NPCIL). The reactors operated by research institutions do not come under the insurance pool,"BARC director Sekhar Basu told IANS.

Basu is also a member of the Atomic Energy Commission and a director in NPCIL. "The research reactors are very small. Further the research institutions are owned by the central government. And governments do not generally take out an insurance policy on its properties," Basu added. BARC's two operational test reactors are the 100 MW and a very low-power Advanced Heavy Water Reactor (AHWR).

Basu said what is applicable to BARC applies equally to the research reactors operated by the Indira Gandhi Centre for Atomic Research (IGCAR) at Kalpakkam, around 80 km from here. The IGCAR operates two small research reactors - fast breeder test reactor (FBTR) and Kamini. According to Basu, the upcoming 500 MW prototype fast breeder reactor (PFBR) expected to go on stream this year would come under the insurance cover once it starts the nuclear fission process.

The government-owned Bharatiya Nabhikiya Vidyut Nigam Ltd (BHAVINI) is setting up the country's first indigenously designed 500 MW PFBR at Kalpakkam.A breeder reactor is one that breeds more material for a nuclear fission reaction than it consumes. The PFBR will be fuelled by a blend of plutonium and uranium oxide, called MOX fuel.

The central government recently announced the setting up of the Rs.1,500-crore India Nuclear Insurance Pool to be managed by national reinsurer GIC Re.

The GIC Re, four government-owned general insurers and also some private general insurers have provided the capacity to insure the risks to the tune of around Rs.1,000 crore and the balance Rs.500 crore capacity has been obtained from the British Nuclear Insurance Pool.

The losses or profits in the pool would be shared by the insurers in the ratio of their agreed risk capacity. Foreign nuclear plant suppliers were reluctant to sell their plants to India citing the provisions of Civil Liability for Nuclear Damage Act (CLND) 2010 that provides the right of recourse to NPCIL against the vendors under certain circumstances for compensation in case of an accident.

The insurance pool was formed as a risk transfer mode for the suppliers and also NPCIL. All the 21 operating nuclear power plants in India owned and operated by NPCIL are expected to come under public liability insurance cover from next month onwards, a senior official of New India Assurance Company Ltd told IANS, preferring anonymity.

The insurance cover would also extend to the 1,000 MW nuclear power plant at Kudankulam in Tamil Nadu built with Russian equipment. "We are planning to issue a single policy covering all the 21 nuclear power units of NPCIL including the one in Kudankulam. The premium will be paid by NPCIL and the policy will be issued in its name," he said.

According to him, the final premium has not been arrived at but it will be between Rs.100 crore and Rs.150 crore. He said the proposed policy would cover the liability towards public as a consequence of any nuclear accident in the plants covered under the policy and also the right of recourse of NPCIL against the equipment suppliers.

Source

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Survey & Reports

Insurance penetration at 10-year low - Business Standard – 25th June 2015

Insurance penetration, measured as a percentage of premiums to a country's gross domestic product(GDP), has been on a constant drop in India. According to the latest sigma study from global reinsurer Swiss Re, India's insurance penetration fell to 3.3 per cent in FY15, compared to 3.9 per cent in FY14. This has been the lowest since 2005-06, when the penetration was at 3.14 per cent.

India stands 15th globally with respect to premium income, is similar to last year's. The only positive is insurance density figures, which have risen to $55 (Rs 3,498) from $52 (Rs 3,307 approximately). Insurance penetration refers to premiums as a percentage of GDP, whereas insurance density (measured in $) refers to per capita premium or premium per person.

Globally, insurance penetration stands at 6.2 per cent, while density is at $662 (Rs 42,103) for 2014. The study said global life premiums returned to positive real growth of 4.3 per cent in 2014, above the pre-financial crisis average. Further, non-life premiums were up 2.9 per cent in 2014, based largely on continuing improvement in the advanced markets.

In India, there was merely a one per cent growth in life premiums, while non-life premiums grew 4.8 per cent, is higher than the world average for 2014. “The global insurance industry gained momentum in 2014, though the economic environment improved only marginally. Total direct premiums written were up 3.7 per cent to $4,778 billion, after having stagnated the previous year,” the study noted.

With lower rates of renewal and lesser disposable income available to invest, insurers said the penetration had come down. Non-life penetration also declined marginally, which insurers say is due to slower auto sales affecting premiums, it is life insurance that saw a bigger drop.

Anup Rau, chief executive officer of Reliance Life Insurance, said, “The larger issue here is that if you take away the top four-five players, top line and access to distribution is a challenge. The agency channel of distribution is not as viable. Hence, unless channels like banks open up to sell products of more than one insurer, distribution will be an issue.”

Rau said the Insurance Regulatory and Development Authority of India was looking to bring out newer channels such as insurance marketing firms. This could improve distribution by getting these firms to distribute products of more than one insurer in each category — life, non-life and health.

In life insurance, India had penetration of 2.6 per cent in FY15 — down from 3.1 per cent in FY14. On the non-life side, it was 0.7 per cent — down from 0.8 per cent. Penetration in India, surged consistently till 2009, has been seeing a gradual decline. Insurers said penetration has dropped since the sector has not been able to grow at the same pace as GDP. Recent studies have shown with higher inflation and lower disposable incomes, overall intention to buy life insurance policies in India has taken a hit.

Following the changes in unit-linked product regulations in September 2010, there was a big drop in premiums in life insurers from this space. Although unit-linked insurance plan, sales have caught on once again, thanks to better market conditions, overall, there has been a rise in surrenders. According to the Swiss Re study, overall profitability in the life insurance sector improved slightly in 2014, driven by stronger stock markets, higher premium growth and cost containment efforts. It said the underwriting results in non-life were positive but slightly weaker than in 2013 because claims experience deteriorated slightly and contributions from prior-year reserve releases lessened.

The study said life premium growth would remain solid in the advanced regions in 2015, and would increase in the emerging markets, particularly in Central and Eastern Europe and China. The US life insurance market would improve alongside the strengthening economy and jobs market but in Western Europe, premium growth would slow from the strong gain in 2014, it said. The outlook for the non-life segment in advanced markets is more moderate, it added.

Source

Back

Global News

Nepal: Huge capital increases and major changes to insurance law proposed – Asia Insurance Review

The Insurance Board (IB) is proposing several changes to the insurance law, including raising the paid-up capital requirement for insurance companies to at least 10 times the current level. The increase will help insurers to meet a huge amount of liabilities thereby expanding their business, the regulator said.

IB Chairman, Mr Fatta Bahadur KC, said the board had started discussions to hike the capital requirement for insurance companies in its proposed new insurance law, reported the EKantipur news website.

If the proposed legislation is passed, life insurance companies will have to raise their paid-up capital to NPR5 billion (US$49 million) from the existing NPR500 million. Similarly, non-life insurance companies will have to boost their paid-up capital to NPR4 billion, which is 16 times the current level of NPR250 million.

The paid-up capital requirement for reinsurance companies has been proposed to be NPR5 billion. Nepal's first reinsurance company, Nepal Reinsurance Co, was established last year with a paid-up capital of NPR2.1 billion and authorised capital of NPR 5 billion.

The IB has long been planning to hike the capital requirement for insurance companies. Two years ago, the regulator had almost doubled the capital requirement. The board had even warned insurance companies of forced mergers if they failed to submit their capital plan by mid-July 2013.

Mr KC rejected charges that the IB had been induced to hike the capital requirement due to a surge in claims following the 25 April earthquake. The Great Quake led to insurance companies being inundated by a flood of 15,100 claims totalling around NPR15 billion. To date, insurers have paid out only around 4% of the claims, said the IB.

Mr KC said:"If insurance companies raise their paid-up capital, it will enable them to expand their business, increase the retention amount and make it easier to settle claims during the catastrophes like the recent earthquake."

The proposed insurance Bill also requires insurers to maintain their total assets at a higher level than their liabilities. “Insurance companies will have to maintain their solvency margin at not less than 1.5,” says the draft Bill. Similarly, insurance companies will have to reassess their financial position including assets and short- and long-term liabilities annually and submit a report to the regulator. The assessment has to be done by a person licensed by the IB.

Companies found selling insurance policies without a licence will be penalised. Their assets will be confiscated and the owners will be fined a sum equivalent to three times the company’s worth and jailed for three to 10 years. In addition, all the insurance companies will have to sell micro insurance policies as directed by the regulator.

Source

The draft Bill will be sent to the Finance Ministry for its approval after it is vetted by the IB’s board. The Bill will then be sent to the Parliament through the Cabinet.

Back

China: Retirement readiness higher than average – Asia Insurance Review

China ranks behind India and Brazil in terms of retirement readiness, according to the 2015 Aegon Retirement Readiness Index (ARRI) which is from research carried out by non-profit Transamerica Center for Retirement Studies in collaboration with the Aegon Center for Longevity and Retirement.

China attained a score of 6.5, following Brazil's 6.7 and India's 7.0. China's score is above the average of 5.9 for the 15 countries covered by the index. The findings of the study, the fourth annual survey so far, are based on the responses of 14,400 employees and 1,600 fully retired people in the 15 countries: Australia, Brazil, Canada, China, France, Germany, Hungary, India, Japan, the Netherlands, Poland, Spain, Turkey, the United Kingdom and the United States. Interviews were conducted online between 6 and 23 February 2015.

The study found that those who save for retirement habitually are the most prepared and have higher levels of retirement confidence. The findings create a call to action to make habitual savings a global trend, recognizing that it should be a shared responsibility among individuals, employers, and policymakers.

55% of respondents in China –the highest proportion among the 15 countries– say: “I always make sure that I am saving for retirement.” However, many people fail to plan properly for their retirement. In China, 12% of respondents say that they have a written retirement plan. 62% say that they have a retirement plan but it is not a written one. 24% do not have a retirement plan and 1% say that they do not know.

Source

Asked about sources of their retirement income, the Chinese expect 40% of it would come from the government, 26% from workplace retirement plans and 34% from their own savings and investments. Nearly half (49%) say that they are very or extremely confident that they would be able to fully retire with a lifestyle they consider comfortable. 34% are somewhat confident.

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China: Regulator says online insurance mart lacks product variety – Asia Insurance Review

The China Insurance Regulatory Commission (CIRC) has highlighted that the fast-gorwing online insurance market in the country suffers from four main problems: product homogeneity; inadequate application of new technology, lack of product depth and cyber security risks.

At present, the main products offered by online insurers are motor insurance, universal insurance, short-term accident insurance and other standard products. Where special insurance policies are marketed, they tend to be gimmicky in nature and deviated from the principles of insurance.

For instance, Ping An Insurance Group Co of China, the country's second biggest life insurer, offered last year an "Accidental Pregnancy Before Honeymoon" policy to cover the cost of having to unexpectedly cancel a honeymoon. Ancheng Insurance marketed a policy covering any medical costs incurred as a result of being scalded while having a hotpot dinner. During last year's World Cup football tournament, several insurers offered policies to cover against over-drinking, being attacked by hooligans and disappointment for when their favourite team was eliminated

CIRC conceded that Internet insurance has its advantages. For instance, it helped minimised customer disputes in e-commerce by offering cover for shipping costs in the event that goods sold are returned to e-retailers. In addition, the micro-credit insurance services of some insurers have eased financing pressures faced by micro enterprises. However, online insurers rely heavily on the Internet system, and network security risks cannot be ignored. CIRC noted that many insurers need to enhance the security of their information management system and authorisation management system as well as improve data encryption, to avoid major cyber security breaches.

The Chinese online insurance market saw premiums soar by 195% to CNY85.9 billion (US$13.8 billion) in 2014, representing 4.2% of total premiums in the industry. The number of insurance firms with online operations increased by 26 to 85 last year, comprising 58 domestic and 27 foreign insurance ventures. Sixty nine of them ran online businesses through their own websites and 68 teamed up with third-party e-commerce platforms. Among them, 52 did both.

Source

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Vietnam: Insurance authority to improve regulations for brokers – Asia Insurance Review

The legal framework for the operation of insurance brokerage companies will be improved to enhance competitiveness and promote development of the insurance market, according to the Insurance Supervisory Authority (ISA) under the Ministry of Finance. ISA said that a regulation to allow insurance brokerage firms to offer consultancy services will be taken up for consideration and would be in line with international practices, reported the Vietnam News Agency.

ISA Director, Mr Phung Ngoc Khanh, said at a conference last week that insurance brokerage is becoming an important factor for the development of the insurance market as well as the country's socio-economic development. At the conference, brokerage firms spoke about the difficulties they face and proposed various improvement measures to the insurance watchdog. They said that detailed regulations for operations and insurance brokerage fees are needed.

They pointed out that in Vietnam, there are currently no regulations allowing firms to charge fees for providing consultancy to customers and this has limited the operations of insurance brokerage firms. They also called for the formation of an association to represent their interests and raise standards.

According to the statistics of the Ministry of Finance, total insurance premiums earned through the brokerage channel increased rapidly by 22% last year. During the 2011-14 period, total insurance premiums generated through brokers reached VND21.165 trillion (US$979.8 million), or equivalent to 22.7% of the total non-life insurance premiums during the period, and contributed nearly VND300 billion ($13.88 million) to the State budget.

Currently, there are major gaps between foreign insurance brokers and domestic firms in management capacity and market share. Last year, five foreign brokers dominated the market, holding a combined share of more than 92%.

Source