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Insurance Industry

Do not mis-sell products: FM tells insurance companies - The Indian Express

Finance minister P Chidambaram on Monday urged insurance companies from mis-selling products and asked them to design simple products as it would help boost flagging growth in the sector.

"In my view, the reason why insurance is stumbling in India is because of mis-selling of products and complex products. If you want to sell insurance to India, you must sell simple products and must make it absolutely clear to agents and other officers that they should not mis-sell," Chidambaram said at the launch of PNB Metlife Insurance.

India is one of the most under insured countries in the world with insurance penetration at less than four per cent of the GDP. To improve dropping sales, insurers have also sought a relief package from the finance ministry including tax benefits on products.

But unlike the demand and spread of banking services, the demand for insurance products and the growth of insurance companies is quite challenging, the finance minister noted.

Pointing out that India is one of the most challenging markets in Asia, he said, "There are usually two measures to measure growth of insurance industry. First is the sum assured to GDP. In India, it's around 55 per cent, whereas the benchmark in developed countries is between 150-250 per cent of GDP."

The other measure, he said, which is more widely used is the penetration of insurance which is a premium to the GDP. "In fact premium to GDP has hovered around 4 per cent for many years. In the last couple of years it has actually declined a bit," he added.

PNB to buy 30% in Metlife
NEW DELHI: Punjab National Bank (PNB) on Monday signed a deal with Metlife India for acquisition of 30 per cent stake in the insurer. The new firm is named PNB Metlife India Insurance Company Ltd.

"In the first year of acting as a corporate agent for MetLife India, PNB posted premium of over Rs 600 crore," said KR Kamath, chairman and MD, PNB. ENS

Source –
http://www.indianexpress.com/news/do-not-missell-products-fm-tells-insurance-companies/1069378/0

Finmin directive to state-owned insurers to go easy on competition gets CCI's goat - The Financial Express

The Competition Commission of India has got the Department of Financial Services to revisit the latter's directives to PSU general insurers, asking them to stop competing among themselves to the point of hurting each other.

According to a CCI official, the watchdog has found the DFS directive to be anti-competitive in nature and asked the department to refrain from issuing such missives.

The DFS, in its reply to the CCI, clarified that the measure was taken in public interest and not intended to distort markets.

The CCI, however, maintained that any directive that could result in anti-competitive practice is violative of the Competition Act. The DFS said it has taken note of the CCI order for future guidance.

"If we find that the government has not withdrawn the directive, we can again take action," the CCI official told FE. Former DFS secretary DK Mittal said, "These insurers were losing huge money, public money, each year due to wrong practices. Poor people were paying high premium rates and corporates were being given discounts. For instance, your health policy is costly, while that of corporates is cheaper. So the government intervened, and rightly so."

In a bid to gain more market share, the state-run insurers were competing with each other by offering heavily discounted premiums, which in turn led to losses as the number of claims grew. For example, discounts offered in fire policies were as high as 80%.

"The proof of the pudding is in the eating. Take a look at the third quarter results of these companies (post-DFS directive). Each one of them has recorded profits," Mittal added. In May 2012, the finance ministry had directed four general insurers to stop this unhealthy competition and instead share data on claims and premium to properly price their products.

The directive was to companies, including Oriental Insurance, National Insurance, New India Assurance and United India Insurance, who control 58% share of the R53,000-crore non-life business.

The DFS intervention was aimed at correcting the "wrong practices" followed by the insurers, especially in non-life segments such as health and fire. The government directions came after it was observed that the premium charged by these companies did not cover even the total cost incurred on servicing the policy. This move was seen as curbing competition and leading to higher premium for customers.

The government had also asked these state-run insurers not to grab the business of another PSU insurer during renewal of policies by offering huge discounts on big accounts. However, the government had no objection if one insurer was taking the business of another if the latter did not have any objection towards the same.

Citing the mounting losses, the government had warned of serious consequences if the PSU insurers did not follow the directives. Seeing the race by PSU insurers to offer the maximum discounts as a "self-destructive game" rather than allowing market forces to operate freely based on sound economic decisions, the government wanted these insurers to go in for joint consultations at the highest level prior to underwriting of huge risks, especially in big accounts such as fire, property, aviation and health.

According to the Insurance Regulatory & Development Authority (IRDA), the underwriting losses of the non-life insurance firms were still alarming at R8,817 crore in 2011-12, though it had fallen by 11.33% from R9,944 crore in the previous year. Of this, the public sector insurers' losses continued to be high at R5,817 crore in 2011-12, even as it had decreased by 22.94% from R7,549 crore in 2010-11.

IRDA data also showed that gross premium underwritten by New India Assurance grew 17.32% to R6507.05 crore in April-November 2012, from R5546.40 crore in April-November 2011; National Insurance's by 18.39% to R5720.92 crore April-November 2012 from R4832.30 crore in April-November 2011; United India Insurance by 20.7% to R6227.94 core in April-November 2012 from R5160.06 crore in April-November 2011; and Oriental Insurance by 8.65% to R4266.06 crore in April-November 2012 from R3926.46 crore April-November 2011.

Source –
http://www.financialexpress.com/news/finmin-directive-to-stateowned-insurers-to-go-easy-on-competition-gets-cci-s-goat/1069282/0

Delhi govt announces pension, insurance for registered labourers - The Indian Express

A large number of registered workers under various agencies like DMRC, NBCC, PWD and CPWD were given passbooks at a function jointly organised by Delhi government and the Centre.

Labour Minister Dr A K Walia on Tuesday said the Delhi government has been implementing the best social security schemes for the welfare of building and other construction workers.

"The Delhi Building and Other Construction Workers' Welfare Board has been collecting cess from the contractors and construction agencies to utilise the fund for welfare of such workers. The registered workers have been receiving benefits which are much better than the benefits being given to regular employees," Walia said.

Walia said the government would train construction workers in order to enhance their efficiency. He asked all building and construction workers to get registered with the Board. "It is a very simple process, and any worker below the age of 60, who has worked 90 days in a year, can register himself by making a meagre payment of Rs 25. He will have to make payment of Rs 20 as subscription for subsequent years. By registering with the board, they become eligible for the benefits under various welfare schemes and under the Rashtriya Swasth Bima Yojana, which takes care of medical expenses amounting to Rs 30,000 per year for the member and dependants," Walia said.

Around 1.2 lakh workers have been registered with the Board in 184 camps. "They have also become eligible for a monthly pension of Rs 1,000 per month on attaining the age of 60. Dependants will also get Rs 500 per month as pension. Rs 35 crore has been disbursed under various schemes," Walia said.

Source –
http://www.indianexpress.com/news/delhi-govt-announces-pension-insurance-for-/1069900/

IRDA Regulation

Irda plans to revisit micro-insurance product regulations - The Financial Express

The Insurance Regulatory and Development Authority (Irda) plans to revisit the regulations for micro-insurance products, which are usually small ticket-size insurance policies. The insurance regulator is in talks with the industry for a fresh look into the existing regulations that include bringing down the premium levels and improving the delivery models.

"There are some structural issues in micro-insurance products in terms of benefits payout. Hence, we would be extending a revisit to the existing regulations," said J Hari Narayan, Irda chairman, on the sidelines of a convocation at ICICI Lombard and Institute of Insurance and Risk Management.

Meanwhile, Irda regulator said that the total assets under management (AUM) by Indian insurance companies has improved to R18 lakh crore in 2012. AUM increased from R1 lakh crore in 2000, touching R8 lakh crore in 2008. "The AUM for FY13 will be more or less flat in the life insurance sector but we are expecting 18% y-o-o growth in the general insurance," he added. On the final guidelines for traditional life insurance products, he said that the insurance advisory has considered these guidelines in its last meeting and is in the advanced stage.

Source –
http://www.financialexpress.com/news/irda-plans-to-revisit-microinsurance-product-regulations/1069319

Insurance industry contribution towards GDP to remain flat: Irda – Financial Chronicle

This year, the contribution of the insurance industry towards the GDP may be only as much as it did last year, as more and more consumers are looking at buying gold, according to the insurance sector regulator Irda (Insurance Regulatory and Development Authority) chairman, J Hari Narayan.

"The contribution will be more or less the same this year as more and more people are looking at other avenues including gold," he said.

Last year, the sector's contribution had come down by 100 basis points to 4.1 per cent.

The industry itself faces a sluggish growth this year. "There is a marginal increase in the third quarter. But then there is an overall decrease when compared with the total premium and so on in the life segment. Single premiums have taken an uptick here, whereas, general is doing very well and will exceed expectations," he said.

Talking about the assets under management (AUM) that the industry has, Narayan, who is serving the last month of his tenure, said, "In 2000 when the insurance sector had opened up, there were assets only of Rs 1 lakh lakh crore, which became Rs 8 lakh crore in 2008 and Rs 18 lakh crore in 2012." The insurance watchdog further expects this to go up to Rs 20 lakh crore by the end of this year.

"While life will be flat, on the general insurance front, it will go up to 18 per cent," he said after addressing a convocation ceremony of IIRM on Monday.

Meanwhile, Irda is in the final leg of bringing about an overhaul of the traditional insurance products, as it will vet the guidelines this week.

"The insurance advisory has considered these guidelines in the advanced stages. It is meeting on February 8 after which it will be gazetted. There is never such thing as a right time for improving practices. In fact, my idea is the opposite. New good models have to be introduced when the industry is down," he said, later adding that the microinsurance guidelines have been revised by Irda.

"We are working on draft micro insurance and have some issues in terms of definition. I would say it is an extended visit, more than a revisit," he said.

Source –
http://www.mydigitalfc.com/mutual-funds/insurance-industry-contribution-towards-gdp-remain-flat-irda-175

Life Insurance

Drop in average premium size of life insurance policies: Deloitte - The Hindu Business Line

The average premium per policy of a life insurance policy has decreased by nearly 8 per cent in FY12 over last year according to a study carried out by Deloitte India.

Insurers with over 8 years of existence managed to retain the ticket size of regular premium policies at around Rs. 32,000 in FY12, similar to that of last year. The younger insurers observed a decline in average ticket size of regular premium policies by nearly 16 per cent from around Rs. 34,500 in FY11 to about Rs. 29,000 in FY12.

"Older insurers, along with their more experienced channel partners have been able to respond to changes in regulations, especially related to ULIPs, better than the younger insurers by refining their product portfolio more swiftly. Younger players are relatively more reliant on captive channels and customer base, making it difficult to alter focus on customer segments and channels", said Sachin Sondhi, Senior Director, Deloitte India.

Bancassurance among all channels continues to procure the highest ticket size business followed by Broking and Direct channels. Whereas ticket size for Bancassurance channel decreased by about 7 per cent, policy procured by Direct & Broker channels, which have lesser reliance on ULIP products, witnessed an increase in ticket size over the last three years.

Direct channel witnessed the highest increase of 20 per cent in ticket size at Rs 27,400 in FY12 as against Rs 22,900 in FY10. Among the mix of products offered by insurers, 54 per cent of the products sold by respondents were ULIPs followed by 45 per cent Non-ULIP (participating and non-participating) and 1per cent pure term products suggesting the gradual shift away from ULIP products.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/drop-in-average-premium-size-of-life-insurance-policies-deloitte/article4365116.ece

Life insurers seek separate tax exemption limit for premiums - The Hindu Business Line

Passing a key law to raise foreign shareholding in insurance companies and carving out a separate tax exemption limit for insurance premiums are among the demands the life insurance industry has placed with the Finance Ministry.

The pending Insurance Amendment Bill seeks to raise the foreign direct investment (FDI) cap in private sector insurance companies to 49 per cent from the current 26 per cent.

"Upping the FDI cap will go a long way in raising additional capital for long-term development and growth of the sector. The insurance industry requires a sizeable amount of capital over the next few years to reach its full potential. This move will reduce the pressure of capital infusion on Indian corporates operating in the sector," said Pavan Dhamija, Managing Director and CEO of DLF Pramerica Life Insurance.

TAX CONCESSIONS

Life insurers are demanding income-tax concessions to incentivise long-term policies for consumers. Currently, life insurance premium paid can be deducted from the gross total income under section 80C for calculating income tax liability.

However, along with insurance premiums, investments in public provident fund, national savings certificates, infrastructure bonds, equity linked savings schemes and home loan principal repayment are all included within the Rs 1 lakh tax exemption limit. Hence, the need for carving out a separate tax-exemption limit for insurance.

"We would like the budget to offer a separate deduction for long-term insurance products or a carved out limit for insurance only, under this section," said Sandeep Ghosh, MD & CEO, Bharti AXA Life Insurance.

Insurers are also looking at reversal of some of the provisions introduced in the 2012 budget.

"In last year's budget, it was mandated that for life insurance policies the sum assured would have to be ten times the premium for tax benefits to be applicable. However, we would like the government to go back to 5 times for income tax exemptions as in the case of older people the mortality cost is higher and such a policy will be expensive for them," said Sunil Sharma, Chief Actuary, Kotak Life.

The industry has also asked for a review of service taxes on Unit Linked insurance products (ULIP's) and immediate annuity products, said Rituraj Bhattacharya, Head-Product Development and Market Management, Bajaj Allianz Life Insurance.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/life-insurers-seek-separate-tax-exemption-limit-for-premiums/article4369487.ece

ULIP redemptions force insurance firms to sell equities - The Hindu Business Line

Due to large scale surrenders in Unit Linked Insurance Plans (ULIPs), State-run insurance behemoth Life Insurance Corporation and other insurance companies have turned heavy sellers of equity in the third quarter of FY13.

DIIS SELL RS 18,724 CR
According to SEBI data, domestic institutional investors, including insurance companies and mutual funds have sold equities in the net worth Rs 18,724 crore in the December quarter of FY13.

"More than 70 per cent of the selling from domestic institutional investors have been from insurance companies. All life insurers are forced to sell shares everyday due to redemption requests from investors," said Sampath Reddy, Chief Investment Officer at Bajaj Allianz Life. Interestingly, during the same period, foreign institutional investors (FIIs) lapped up equities, in the net, worth Rs 46,029 crore.

INFLOWS INTO G-SECS
Life insurance firms have seen investors, who bought ULIPs in 2007 and 2008 with a three to four year lock-in period, surrendering policies.

In 2010, the insurance regulator revamped ULIP norms by increasing the lock-in period and lowering commissions on their sale. This led to a massive dip in ULIP sales. As of March 2012, life insurers manage assets of around Rs 28-lakh crore.
"We are seeing fresh inflows into traditional products than unit linked products. Investors are redeeming ULIPs as their lock-in period is coming to an end and moving into traditional products," said Aneesh Srivastava, Chief Investment Officer, IDBI Federal Life insurance.

Adds Reddy: "There has been a sea change in the insurers' business in the last three years. ULIPs which constituted 90 per cent of our business have come down to 5-10 per cent now in favour of traditional products, where the investments have to be made in fixed income securities such as government securities and bonds."

This year in January alone, domestic institutional investors have redeemed shares in the net worth Rs 17,542 crore, while foreign institutional investors have been net buyers at Rs 22,059 crore.

Insurers witness almost one third of their sales during the between January and March for tax saving purposes. This has resulted in high redemptions in January, said experts in the insurance industry.

Post September, the Government announced several big-ticket policy measures which renewed FII confidence and who in turn pumped in large sums of money into the equity market. During the calendar year 2012, Indian markets were up by about 25 per cent led by heavy buying.

"It is an investor psychology, as markets rise investors in equity schemes rush to sell their shares and book profits," said Srivastava.

To meet the Government's disinvestment target, LIC has reportedly sold shares worth an estimated Rs 8,000 crore by lowering holdings in more than half of the blue-chip firms of Nifty-50.

Source –
http://www.thehindubusinessline.com/markets/stock-markets/ulip-redemptions-force-insurance-firms-to-sell-equities/article4379197.ece

Life insurance norms soon: IRDA chief – The Times of India

The final guidelines on traditional life insurance products, which are in the final stages of consultation, are likely to be announced after the meeting of the insurance advisory committee that is slated to take place on February 8, Insurance Regulatory and Development Authority (IRDA) chairman J Hari Narayan said here on Monday.

"The insurance advisory committee has considered these guidelines and these will be presented before the authority (IRDA) soon. The authority will be meeting on February 8 after which they will be gazetted," he told newspersons on the sidelines of graduation ceremony of Institute of Insurance and Risk Management (IIRM) and ICICI Lombard's first batch of PG risk and general insurance programme.

Narayan said IRDA had notified that the insurers selling traditional group plans such as term plans and endowment plans have to withdraw and re-file them by March 31 while the deadline for traditional individual plans is June 30. However, this move has not gone down well with the insurers, who claim that the decision is impractical and will hit growth. Reacting to this opposition, he said, "There is never such a thing as a right time for improving practices. In fact, my idea is the opposite. They have to introduce new good models when the industry is down." However, he added that the new products that are being launched in the market are in line with the new regulations.

Talking about the performance of the sector, he said it was expected to record a flattish growth this fiscal despite assets under management of the Indian insurers slated to touch the Rs 20 lakh crore mark. However, the general insurance sector was expected to clock an 18% growth this fiscal, he said. The insurance sector has grown substantially over the last few years, with its assets under management growing from Rs 8 lakh crore in 2008 to Rs 18 lakh crore in 2011-12, he added.

On international insurers like New York Life and ING fleeing the Indian market, he said, "Many of these players are withdrawing mainly because of the economic concerns back in their own countries. This will not affect the interests of the policy holders as IRDA's primary work is to protect them."

Source –
http://timesofindia.indiatimes.com/business/india-business/Life-insurance-norms-soon-IRDA-chief/articleshow/18341544.cms

Irda to put an end to high NAV-guaranteed schemes - The Economic Times

The insurance regulator has decided to put an end to high net asset value-guaranteed life insuranceproducts, perturbed by their misleading nature and also by the selling pitch that gives an impression that their returns are linked to market performance.

The Insurance Regulatory and Development Authority (IRDA) chairman, J Hari Narayan, said such products were, in fact, discouraged in several markets across the globe because it is easy to mi-sell such products. He was talking to reporters in Hyderabad on the sidelines of a programme of ICICILombard General Insurance and Institute of Insurance and Risk Management.

Hari Narayan said it is easy to mislead a consumer to buy a highest NAV-guaranteed product due to a communication problem inherent in the nature of such products. "What is deemed to be highest NAV should not be confused with what is the highest index value or how the market is performing. Highest NAV products tend to become debt products to maintain the (NAV) guarantee, whereas when the marketing of such products takes place, the consumer is left with the feeling that it grows along with the value of the market itself." An analyst with a Mumbai-based brokerage, who did not want to be named, said the life insurance sector had shifted its focus to NAV-guaranteed products after Irda restricted sale of unit-linked insurance plans (Ulip) in September 2010. "The NAVguaranteed products now account for nearly 20% of life insurance sector's new premium income and the Irda move to ban them could impact the industry's volume growth," he said. The Irda chairman said the new product regime, as and when it comes into effect, will give time to insurance companies to readjust their processes. "In the new product regime, we don't envisage clearing highest NAV products. But existing products of that nature can continue to be serviced to give whatever benefits the scheme had promised till the end of the policy tenure," said Hari Narayan.

A senior executive with a leading life insurance company said the Irda decision was expected as the regulator had been discouraging such products over the last 18-24 months even though there was no official ban. The Irda chairman said the new product guidelines were considered by the advisory committee in its last meeting and the authority will meet on February 8, after which they will be gazetted. On views of a section of the life insurance sector seeking to postpone new guidelines in view of subdued market conditions, Hari Narayan said, "I think it is a good idea to bring out new models when the industry is down."

On the outlook for the Indian insurance industry during the current fiscal, he said while the life insurance sector could see flat growth, the general insurance sector would exceed expectations and see a growth of at least 18%. For the nine-month period ended December 31, 2012, the life sector saw a marginal overall decrease in total premium.

Source –
http://articles.economictimes.indiatimes.com/2013-02-05/news/36764689_1_highest-nav-life-insurance-insurance-sector

General Insurance

Budget 2013: Tea sector seeks crop insurance and fertiliser subsidy - The Economic Times

Coverage under Agriculture Crop Insurance schemes and subsidized fertilizers for tea sector, the two major demands of small tea growers in India are gaining momentum. The national apex body of small tea growers has made an appeal to the union Finance Minister P Chidambaram to incorporate the tea sector under these schemes in his next budget proposal.

"Despite being highly dependent on the climatic whims, tea is not covered under the schemes of Agriculture Insurance Company of India Limited (AICIL). We have requested finance Minister to introduce something concrete on this in next budget," said Mr. Bijoy Gopal Chakroborty, Secretary of Confederation of Indian Small Tea Growers Associations (CISTA).

AICIL has already started working on this with Indian Tea Board (ITB), informed Mr. K C Behra, Regional Manager of AICIL. "We have taken joint steps to develop schemes to cover tea plantation against risks of heavy shower, draught, hailstorm, frost, snowfall etc. We have also asked meteorology department for long duration weather data for all the tea producing regions. At present, these schemes cover coffee and rubber, but not tea," said Mr G Boriah, ITB Director (Development).

Fertilizer is another major issue. "Tea in India is not considered purely as part of agriculture. So, during indenting fertilizer quota, agriculture departments of tea producing states do not include fertilizer needed for tea sector. Naturally, the indented volume remains much lesser than actual combined need of tea and other agriculture crops. This generates artificial crisis forcing us to procure fertilizer at 30% to 40% higher price from open market," said Mr. Chakraborty.

Parliamentary Standing Committee on Commerce has stated in its report number 102, "The problem of increased cost of fertilizers with no subsidy benefit is one of the main factors behind less productivity and also high cost of production (of tea). The Committee would like the Department to ensure that fertilizers subsidy is available to (tea) growers."

According to experts, government will not have to take huge volume of additional financial load to allow this subsidy. Tea sector needs only around 0.3 million ton of NPK fertilizer per annum, which is a tiny fraction of total national demand of around 26 Million ton.

"These schemes will be highly beneficial for plantations in both- organized as well as unorganized sector," said Mr. K. Basu, Secretary General of Tea Association of India.

Source –
http://articles.economictimes.indiatimes.com/2013-01-31/news/36658945_1_tea-sector-small-tea-growers-tea-plantation

Third party motor insurance premium may rise further - The Indian Express

Lakhs of vehicle owners across the country may have to pay more for buying the mandatory insurance cover — third party motor cover — for their vehicles.

The third party motor insurance premium is likely to go up within the range of 15-50 per cent in 2013, the second hike in the last one year.

"The hike may come within a fortnight . The premium may increase between 15-50 per cent in various vehicle categories," said the chairman of a public sector insurance company.

As the third party motor insurance is still regulated by IRDA, it has already decided to hike the rates to make up the huge losses in this portfolio — a lion's share of total losses of over Rs 10,000 crore suffered by the insurance sector is accounted by third party motor cover.

"Our claim ratio is 175 per cent in the third party motor segment," said G Srinivasan, CMD, New India Assurance.

In fact, the earlier hike which was done in March 2012 was disputed by the transporters' association which had fought a legal battle with IRDA and general insurers in Calcutta High Court. However after eight months of litigation, the court had passed verdict in favour of the hike.

Earlier in 2012, while asking the domestic general insurers to hike the provisioning — capital to be set aside to pay the future claims as it takes years settle claims under this category — against the third party motor portfolio, the IRDA had assured general insurers that it will allow them to hike the third party motor rates gradually.

On the possible opposition by the transporters' association to the hike, the CEO of another general insurance company, said, "There is a set formula, which the IRDA is following and after Calcutta High Court verdict there shouldn't any problem in hiking the rates."

After the negotiations with the transporters, IRDA had incorporated an automatic provision in the order on premium revision based on a formula that was implemented from April 1, 2012. At current levels, the premium is well below the break-even level for the portfolio, the industry has accepted the revisions with the expectation that the IRDA would review the position.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/article2747429.ece

Insurance companies ready to cover the estate tax if government reintroduces it - The Economic Times

Insurance companies are ready to cover the estate tax payable by an individual inheriting property and jewellery if the government reintroduces the tax in coming weeks. "All insurers will start covering estate duty clause when this duty is reintroduced," said GN Agarwal, CEO, Future Generali Life Insurance. The coverage will extend to house, farmland and jewellery.

It will be a part of the whole life policy and the individual will pay a premium, which will depend on the value of the estate. "The general principle seems to be that the law of estate duty treat as irrelevant, events in relation to the property subsequent to the passing of the property on death," says Chandubhai Mehta, managing partner at Mumbai-based corporate law firm Dhruve Liladhar & Co.

"The duty is still to be paid on the basis of the property as in existence at the time of death. Any sudden depreciation in value immediately after the death is also to be disregarded." Speculation that the government may reintroduce the inheritance tax has gained ground in recent weeks after finance minister P Chidambaramhinted that the government may consider some measure like that to boost revenue.

"Sometimes I doubt whether we have taken moderation in tax rates too far. Have we paid little attention to accumulation of wealth in few hands? I am still hesitant to talk about inter-generational equity and, therefore, inheritance tax. I think these are the questions we should debate," Chidambaram had said.

When in force, the duty was payable by the executors of the estate of a deceased under the Estate Duty Act, 1953. As per the then rule, the onus to pay tax was on an 'accountable person' meaning the one having a right of disposition over property of the deceased, in respect of the property passing on to that person through various different types of settlements and dispositions.

The duty was abolished in 1985. The government had to eliminate this complex tax structure as litigations piled up due to the high collection cost. The levy started at a threshold of Rs1 lakh with a rate of 7.5% and the maximum rate was 40% of the principal value of the estate in excess of Rs20 lakh. Inheritance tax, if and when introduced, will change the way a person distributes assets among his heirs. "Life insurance policies will also reintroduce the clause to cover in whole life policy," said Sanjiv Pujari, appointed actuary, SBI Life.

In the 70s, LIC used to cover estate duty under the whole-life policies. Claim was paid only after the death of both the parents, when the estate is passed on to the successor. The ticket size of these policies depends on the sum assured. According to a report by Kotak Wealth and CRISIL Research, India had more than 81,000 ultra high networth households with a minimum networth of $250 million in 2011-12, which is just 0.03% of the country's total households. The figure is likely to triple to over 286,000 households by 2016-17, the report said.

Source –
http://www.indianexpress.com/news/third-party-motor-insurance-premium-may-rise-further/1069872/0

Non-life insurers' gross premium collections up 20% in April-Dec 2012 - The Hindu Business Line

The gross premium underwritten by non-life insurance companies grew by 19.7 per cent in the first three quarters of the current financial compared to the year-ago period.

According to data released by the Insurance Regulatory and Development Authority (IRDA) on Tuesday, the gross premium collected by 26 non-life insurers during April-December 2012 increased to Rs 49, 891 crore against Rs 41,887 crore in the corresponding period last year.

According to IRDA Chairman J. Hari Narayan, the general insurance sector is likely to end the current fiscal with the same quantum of growth. The life insurance sector, however, is witnessing a downward trend.

The first-year premium of life insurers in the first three quarters of the current financial year ended December 31, 2012, declined 12.6 pc to Rs 69,184 crore compared to Rs 79,153 crore in the year-ago period.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/nonlife-insurers-gross-premium-collections-up-20-in-aprildec-2012/article4382878.ece

Refineries denied insurance over Iran crude - The Times of India

MRPL and Chennai Petroleum Corporation are facing a crisis situation with reinsurers stating that their coverage will not be available to any company processing Iranian crude. While both these refiners process Iranian crude oil, Chennai Petroleum Corporation is worse affected as the Iranian oil companies have a 15% stake.

Until now crude companies thought that the international sanctions would pose a problem only to covering Iranian crude imports. Companies have worked their way around this issue by offering cover up to $50 million out of their own net worth. However, international reinsurers have informed the General Insurance Corporation that the sanctions against Iran would also apply to any facility that is processing crude imported by Iran. This means that if there is any loss in any of these facilities reinsures, despite accepting the premium, will refuse to pay the claim based on the sanctions clause.

Indian insurance companies say that it is not possible for them to take the risk on their own books. "The maximum cover that we can provide is in the region of $60 million. The amount at risk in a refinery is much higher and can only be covered with the help of reinsurance support".

Insurers say that the refinery and crude oil are both Indian assets. However, the reinsurers have said that going by the sanctions even companies that deal with Iranian crude will be out of the ambit of cover. Financial services firms have been extra cautious on Iran related dealings after US regulators imposed stiff penalties on leading international institutions such as Stanchart andDeutsche Borse for violating sanctions against Iran that were imposed in 2008.

One of the ways of addressing the issue, Indian insurers say would be to carve out the portion of liability based on the extent of non-Iranian crude that is processed and offer it to international reinsurers for cover. Domestic insurers would then try to cover the balance portion to the best of their ability.

Source –
http://timesofindia.indiatimes.com/business/india-business/Refineries-denied-insurance-over-Iran-crude/articleshow/18360047.cms

Bancassurance

IRDA goes flexible in draft regulations on bancassurance - DNA

The Insurance Regulatory and Development Authority (IRDA) has rolled out a revised set ofdraft regulations onbancassurance tie-ups that are expected to give more flexibility to banks as well as insurers.

Banks, IRDA suggested, can sell insurance products by either becoming a broker or abancassurance partner, with those opting to be brokers having to withdraw from their existingbancassurance partnership. There are certain changes in the zonal tie ups specified in the earlierdraft.

“The channel of distribution for bancassurance may either be through the agency channel or the broking channel. The conduct ofbancassurance through a broking channel will be governed by theIRDA (Insurance Broker) Regulations, 2002 and applicant desirous of conducting such business may apply as per the procedure laid down in the said regulations. The conduct of business through the agency channel will be as per the regulations herein contained,”IRDA said in the draft circular.

Last week, the finance ministry allowed banks to sell insurance offered by more than one company through a broking agency model.

“It was desirable for banks to act as brokers and that the fiduciary responsibility of the bank will be to the policyholders. This will provide the intended policyholder a bouquet of products from which he/she may chose the appropriate product based on his/her needs and will also prevent mis-selling,” finance minister P Chidambaramhad said.

Bancassurance refers to the arrangement through which banks sells insurance products.

At present, the policy on bancassurance is one bank one insurance company (one life and one non-life). Under this, the bank acts as the agent of the insurance company.

But the controversial clause requiring banks to compulsorily tie up with insurance companies other than those promoted by them in several areas has been retained in the revised bancassuranceguidelines. Under the new norms, the regulator has divided 40 locations across the country into three separate zones such as A, B and C.

Zone A includes metro and other Tier I cities, Zone B and C include Tier II cities, north-eastern states and Union territories.

Under the proposed rules, a bank can at the most tie up with a particular life, non-life and health insurance company in maximum 20 and minimum 10 locations. For the remaining areas it will have to seek different partners. This means even banks with their own insurance entities will need to tie up with other insurance companies.

As per the draft norms, a bancassurance agent desirous of tie-up with more than one class of insurer shall be allowed to do so under these regulations to a maximum of 20 states / Union territories and a minimum of 10 states/ Union territories.

The draft has also specified the remuneration paid to thebancassurance agent in the partnership. The commission will be an amount exceeding 85% of the limit specified in the insurance Act 1938.

The sale of equity will happen through either transfer of the existing share or by issuance of fresh equity with the prior approval of the authority.

IRDA is of the view that open architecture without geographical divisions will have no meaning and that smaller players will continue to be neglected.

“The insurance law says one agent (bank) for one insurance company. As per the provisions of current law, one insurer cannot have tie-ups with more than one agent. So, under the current circumstances, open architecture model without zonal bifurcationswill be a violation of the law. So we need to wait how the amendment has been done in this front,” IRDA chairman JHarinarayan had said earlier.

“This is the step in the right direction. It will give more option for the customers and help to increase the reach of insurance products through the wide network of banks,” said Amarnath Ananthanarayan, MD & CEO, Bharti Axa General. IRDA has asked insurers to submit their views and comments by October 17.

Source –
http://www.dnaindia.com/money/report_irda-goes-flexible-in-draft-regulations-on-bancassurance_1750394

Reinsurance

Global reinsurers refuse to give cover to Indian refineries using Iran oil - The Financial Express

Domestic refineries owned by oil companies have suddenly found themselves in a bind as global reinsurance giants have refused to provide cover for refineries processing Iranian crude oil.

The reinsurers have resorted to such a step in the wake of sanctions imposed by the US and the European Union. Indian insurance companies alone cannot provide insurance cover for refineries as they fall under the high risk category and need substantial reinsurance support.

But most reinsurance companies that provide reinsurance support to Indian firms are complying with the US fiat on sanctions against Iran. Recently, GIC Re, the country’s sole reinsurer, had intimated to general insurers about the situation where any Indian refineries processing Iranian crude cannot recover any claims from the reinsurers.

“We had recently received a request from Mangalore Refinery and Petrochemicals (MRPL) for a cover for their single-point mooring (SPM) on discharge of Iranian crude. Consequently, a meeting was arranged of officials from the four public sector undertakings and the cover discussed. It emerged that apparently the refinery processing Iranian crude would also be out of the ambit of any cover and losses would not be payable by the reinsurers on the protection programme of the companies,” said a communication from GIC Re’s chairman AK Roy to the General Insurance Council.

“It also dawned on the insurers that this fact had not been made clear to them that they were uncovered whilst processing Iranian crude owing to the sanctions clause. It is, therefore, felt that the General Insurance Council should organise for a discussion of the insurers to identify the issues involved and attempt to find out possible solutions,” the communication said.

“Indian insurers can’t even think of doing it on their own as plants are expensive. They need to go in for reinsurance to hedge their risk. We’re negotiating with them as India has cut down oil imports from Iran,” said a top insurance sector source.

India has proposed to cut oil imports from Iran by 10-15% in the next fiscal.

Source –
http://www.financialexpress.com/news/global-reinsurers-refuse-to-give-cover-to-indian-refineries-using-iran-oil/1068511/0

IRDA Circular

Exposure Draft on Risk Based Solvency Approach is available on IRDA website to all who are concerned with it.

Source –
http://www.irda.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo1877&flag=1

The updated list of Life Insurers and Insurance Brokers is uploaded on IRDA Website.

Source –
Life Insurers -
http://www.irda.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo129&flag=1

Insurance Brokers -
http://www.irda.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo1323&flag=1

IRDA has uploaded AML/CFT guidelines-Procedures for Determination of Beneficial Ownership to all CEOs/Chairman of life insurers.

Source –
http://www.irda.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo1875&flag=1

Global News

UK

Brokers facing new £21m FSCS levy

Brokers are set to pay even more in Financial Services Compensation Scheme (FSCS) fees next month after a mooted £21m interim levy became almost certain.

Firms will have one month to pay the extra bill, *Insurance Times* understands. The additional amount will be used to pay for an increase in payment protection insurance (PPI) mis-selling complaints handled by the FSCS. The new levy will be about 55% of the FSCS element of brokers’ 2012-13 regulatory bill.

The extra charge was hinted at last year, and will take the total cost to insurance intermediaries this year to £57m.

Biba head of compliance and training Steve White said: “Following discussions we have had with the FSCS, we understand that there is a 99% certainty that this interim levy is coming.

“This will once again focus peoples’ minds on just how unfair the funding model is of the compensation scheme, and adds weight to our demand for change.”

An FSCS spokesman would not comment on the new levy.

Source –
http://www.insurancetimes.co.uk/brokers-facing-new-21m-fscs-levy/1400938.article

Analysis

Brief Outline on Investment by Insurance Companies

Investment data by Insurance companies in India is given in Economic and Political Weekly. The Investment of Insurance sector was Rs. 386699 crore in 2003-04 and has grown to Rs. 1680527 crore by 2011-12; this is a fivefold increase in eight years. The asset under management of life insurers was 91 percent of the total in 2003-04, which has grown to 94 percent in the year 2011-12 and that of non-life was around 9 percent which has come down to 6 percent respectively.

The average overall growth has been around 16-17 percent till the year 2009-10 and the growth is showing a decreasing trend in the last two year; the state of Indian economy may be the factor attributed for this decline; the asset under management of life insurers follows the pattern as the overall growth and show a steep decline in the growth for last two years, but in case of non-life, there is no visible impact of the slowdown as the growth rate has not decreased sharply, Infact shown an increase.

For details please check the below source-

Source: Economic and Political Weekly, Vol - XLVIII No. 03, January 19, 2013