Insurance Institute of India

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Newsletter

08-April-2011 to 14-April-2011

Date – 08-April-2011

News	***Now, general insurers feel the heat of higher provisioning on motor portfolio***
Newspaper	***The Hindu Business Line***
Source	***http://www.thehindubusinessline.com/industry-and-economy/banking/article1608981.ece***

General insurance companies, already reeling from price undercutting and poor underwriting of risks, now face a further blow to their profits. They now have the burden of higher provisioning for losses on their motor portfolio — specifically on their third party pool.

Third party motor pool is a corpus of premiums transferred from all general insurance companies to meet the claims arising out of road accidents involving damage to life or limb of third parties, mainly caused by trucks. Currently this pool of premiums is estimated at around Rs 3,500 crore. But this is running at a deficit because the losses are much higher. To plug this loss, the Insurance Development and Regulatory Authority has asked insurers to make additional provisions of about Rs 3,750 crore on account of the motor pool for the last four years.

The general insurance industry will suffer as a result of the provisioning because the liability of three years is being absorbed in the financials of 2010-11, a single year, said Mr Rakesh Jain, Director Corporate Centre and Chief Financial Officer, ICICI Lombard. The insurance regulator has asked insurers to make a provisioning of expected loss ratio of 153 per cent. This means, for every Rs 100 earned as premium, companies will have to payout Rs 153 as claims.

Rating downgrade

In its recent report, rating agency Standard and Poor's has downgraded its outlook for the Indian general insurance industry to negative from stable due to poor underwriting of risks following the dismantling of the tariff regime.

The financials of state-owned companies seem to have turned from bad to worse for the nine months ending December 31, 2010, with the exception of United Indian Insurance. The others three insurers, National Insurance, New India Assurance and Oriental Insurance, have posted a loss on their investment income. For years, public players made profits only from their investment income and not from their core business of underwriting insurance.

Fourteen private insurers reported Rs 782 crore underwriting losses for the nine months ending December 31, 2010.

Mr S. L. Mohan, General Secretary, General Insurance Council (a self-regulatory body), said that the provisioning would impact the underwriting losses of general insurance companies. However, the extra provisioning will be made in the books (physical entry) of insurers and paid only when there are claims.

Dr Amarnath Ananthanarayanan, CEO and Managing Director of the two-half-year-old Bharti Axa General Insurance, said provisioning to be made on account of motor pool would adversely impact the underwriting losses of insurers.

“Bharti Axa General enjoys the last mover advantage and, therefore, will not have to absorb the provisioning to a large extent,” he said.

The Standard and Poor's report said that underwriting performances are unlikely to improve significantly in the next 12 months, despite signs that prices are stabilising. The overall industry remains profitable through investment income, but that can leave it vulnerable to investment market shocks.

Date – 09-April-2011

News	***Life insurance rates to rise on lifestyle, stress***
Newspaper	***The financial express/The Indian Express***
Source	***http://www.financialexpress.com/news/life-insurance-rates-to-rise-on-lifestyle-stress/773854/0***

Life insurance companies may need to raise their premium rates on the basis of a new industry-wide study on mortality to revise 15-year-old data.

New data show that emerging risks from urban lifestyles and the spread of new strains of diseases in congested areas are putting more men and women in the working age at risk. This means while the average life expectancy of Indians has improved dramatically since the 1990s, more younger people in urban areas are falling prey to stress and related diseases. Since they are also the largest segment of people who take out life insurance policies, the premium that insurance companies need to charge them will rise.

This has put the Insurance Regulatory and Development Authority in a fix. If it allows the insurance companies to adopt the new table, the new rates will certainly will have to be brought in. The mortality table has been prepared for the Indian insurance industry by the Mortality and Morbidity Investigation Centre set up by the Life Insurance Council — the umbrella body of life insurers — and the Institute of Actuaries of India. The study was made by noted actuary KP Sharma.

The centre studied data furnished by 15 insurers for three years to come out with the first mortality table after the sector was opened up to private companies. The last mortality table was prepared by the Life Insurance Corporation (LIC) in 1996 and was used by the new players with the regulatory permission.

News	***LIC to pump in more than Rs 2 lakh crore in 2011-12***
Newspaper	***The pioneer***
Source	***http://www.dailypioneer.com/330251/LIC-to-pump-in-more-than-Rs-2-lakh-crore-in-2011-12.html***

Country's largest insurer Life Insurance Corporation of India (LIC) plans to invest more than Rs 2 lakh crore across various asset classes in 2011-12, a top company official said on Friday.

"We have not decided yet, but it will be more than Rs 2 lakh crore," LIC Chairman TS Vijayan told The Pioneer.

Analysts say this is positive for equity market and the insurer's investment will mainly be directed towards FPOs and IPOs of public sector companies that are lined up in 2011-12.

In 2011-12, the Government is likely to dilute its stakes in SAIL, IOC, Power Finance Corporation, Hindustan Copper and Rashtriya Ispat Nigam Limited.

"LIC looks for safety of investments and its selection of companies will be crucial. The company looks for a stable environment for long term investment," said Shanu Goel, Senior Research Analyst (Equity), Bonanza Portfolio Limited.

According to IRDA data, the insurer continues to maintain a market share of around 70 per cent during April-February period of 2010-11. LIC's total premium rose to Rs 73,122 crore as against Rs 54,320 crore during the same period last fiscal, recording a growth of 35 per cent.

"LIC invested around Rs 1.8 lakh crore in 2010-11," Vijayan said.

This is lower than Rs 1.92 lakh crore invested in 2009-10 and far less than the Rs 2 lakh crore investment target set for 2010-11.

For the quarter ended December 2010, LIC had investments in Bajaj Auto (2.01 per cent), Bharat Heavy Electricals (4.76 per cent), HDFC (2.76 per cent), NTPC (3.56 per cent), Hero Honda (1.31 per cent) and companies like ACC, ICICI Bank, M&M, Maruti Suzuki and TCS.

The insurance behemoth had declared a valuation surplus of Rs 23,478 crore for the financial year ending March 2010. Out of this surplus amount, 5 per cent is given to the Government as dividend while the remaining 95 per cent is ploughed back to the policyholders as bonus.

In 2009-10, the total premium income rose to Rs 1,85,985 crore from Rs 1,57,186 crore, showing an increase of 18.32 per cent over the previous year. The gross total income rose to Rs 2,98,721 crore, showing a growth of 49.15 per cent over last fiscal.

Vijiyan had earlier said that LIC is looking to achieve the total premium income of Rs 2,01,000 crore by the end of 2010-11.

News	***Idea of health regulator under Irda draws flak***
Newspaper	***Business Standard***
Source	***http://www.business-standard.com/india/news/ideahealth-regulator-under-irda-draws-flak-/431581/***

The insurance industry is opposed to the idea of a healthcare regulator under the Insurance Regulatory and Development Authority (Irda). Instead, it wants a regulator under the health ministry to monitor the quality of services and pricing offered by hospitals and other players.

The idea of a healthcare regulator under Irda was brought out in recommendations by PricewaterhouseCoopers (PwC) in a white paper released last week. While PwC says the recommendations, including a separate regulator for the the healthcare industry, would help to expand the health insurance sector in the country, industry representatives say the objective of such a regulator should not be confused with Irda's regulatory role in the insurance sector. The industry fells PwC's suggestion is an attempt to influence Irda's functioning by the healthcare industry.

"Setting up of a healthcare regulator under Irda is not feasible. The regulator should function under the health ministry, which would be able to regulate all service providers, namely hospitals, laboratories, consultants and pathological doctors. The entire insurance industry has been asking for a health regulator to control the quality of services and the pricing and thus, expand the reach of the sector. No one, however, has suggested that the regulator be under Irda," M Ramadoss, chairman and managing director, New India Assurance Company Limited, told Business Standard.

The insurance industry feels linking the role of the regulator for services and pricing by hospitals and other players in the healthcare sector, with that of the insurance regulator would not help achieve the desired objectives. The new regulator, under the purview of the insurance regulator, would only consider matters of insurance regulation.

News	***IRDA lists IT firms for data analysis projects***
Newspaper	***The Times of India***
Source	***http://epaper.timesofindia.com/Default/Scripting/ArticleWin.asp?From=Archive&Source=Page&Skin=ETNEW&BaseHref=ETKM/2011/04/09&PageLabel=13&EntityId=Ar01305&ViewMode=HTML***

The Insurance Regulatory and Development Authority (IRDA) has short-listed Infosys, Mahindra Satyam, L&T Infotech and Keane India for its proposed business analytics projects. These companies will now submit financial bids for the project.

"Based on the detailed scrutiny of the technical proposals submitted by various IT firms and their subsequent clarifications, and also based on the evaluation of presentations made before the technical committee, these IT firms have been short-listed for the phase-III of business analytics tendering process," an IRDA statement said. Various external entities, including insurers, are currently submitting data to the insurance regulator in hard copies or in soft copies sent over email or through the memory disks.

There is no central storage of data and reporting system in place so as to generate relevant information out of the raw data in form of reports or analyses.

To eliminate the cumbersome and complex manual processes involved in generating information from the raw data, the IRDA has decided to appoint an IT firm that will design a solution that will automate the different manual processes and the data will be available to businesses.

The over-arching objective of the business analytics solution is to provide necessary data and information for analysing the insurance companies and regulatory decision making.

Other objectives include making data capture simple and timely, provide centralised facility to store and process captured data, spend less time in capturing and maintaining data and more time in analysing it, disseminate data/information within the IRDA for regulatory action, making it effortless and system-based.

Date – 11-April-2011

News	***India's insurance industry to touch $ 400b by 2020***
Newspaper	***Financial Chronicle***
Source	***http://www.mydigitalfc.com/insurance/indias-insurance-industry-touch-400b-2020-127***

India's insurance industry is expected to touch the USD 400 billion mark by 2020, with scope for further penetration, but the sector players need to adopt a customer centric operating model, a study has said.

At present, the insurance industry comprising 23 life and 24 non-life companies, is valued at over USD 66 billion.

"The insurance industry will be USD 350–400 billion (about Rs18 lakh crore) in premium income by 2020, making India a top 3 life insurance market and a top 15 non–life insurance market by 2020,"

According to a study jointly done by FICCI and the Boston Consulting Group. Besides, there has been a massive increase in the number of people covered. In life insurance, the number of policies in force has increased from about 20 million in 2001 to about 230 million in 2010, a nearly 12–fold increase, the study said.

The other big increase in coverage is in the health insurance space. The number of lives covered through health insurance has increased from just 2 million in 2001 to nearly 55 million in 2010, a nearly 25–fold increase, it added.

"This progress has been aided by the dramatic shift in the availability of products including better term, ULIPs, whole life, maximum NAV (net asset value) guarantee, auto assistance and disease management," the study said.

BCG India Partner and Director Alpesh Shah, however, said the industry has come a long way over the past decade, but the big challenge with the industry is profitability.

"Private life insurers have accumulated losses of over Rs 16,000 crore till March 2010. Similarly, the non–life industry has cumulative underwriting losses of nearly Rs 30,000 crore," he said.

Date – 12-April-2011

News	***Motor, health insurance to get costlier***
Newspaper	***The Financial Express***
Source	***http://www.financialexpress.com/news/motor-health-insurance-to-get-costlier/774658/0***

New Delhi: Insurance regulator IRDA said that policy holders will gradually have to pay more for motor, health and other general insurance covers as costs would go up due to companies setting aside higher funds for claim settlements.

"I think the demand and supply position in the non-life industry will be such that prices should harden and I expect to see evidence of that in the course of next few years. And I would like to make it even harder as we go along," IRDA Chairman J Harinarayan said.

Harinarayan, who was speaking at the "FICCI National Conference on Insurance", said the non-life insurance companies would need to bring in changes in marketing, pricing and modes of claim settlement to become profitable.

"Because of the requirement of increase in provisioning, there will be a reduction in capacity and because of that there will be a hardening of prices," Harinarayan added.

The Insurance Regulatory and Development Authority (IRDA) has already proposed to increase provisioning requirement for insurers providing motor insurance covers.

IRDA had increased the provisions made for motor pool to 153 per cent of book value for the four years till March 31, 2010, against 126 per cent maintained by companies.

This is aimed at enhancing solvency margins and make higher provisioning for third-party motor pool.

Solvency margin is the minimum surplus on the insurer's assets over liability set by the regulator and the insurance companies are estimated to have provided about Rs 3,500 crore till March 31, 2010, for maintaining this margin.

Harinarayan said in the next three years the insurance companies will see changes in distribution set up, marketing techniques, channels of distribution and also terms of regulatory development.

"The agency model that we see right now has serious deficiencies and that requires to be strengthened. I do not think the agency distribution model is going to last very long," he said.

He said agency model in the traditional form has vanished in large markets across the world. "...I do not see why India will be any exception to that particular development," the IRDA chief added.

He said even as the market widens, "it is not going to go down to the poorest of poor".

"The total size of the market we are looking at (for insurance penetration) may be 500-600 million in terms of kind of product we have to offer," Harinaryan said.

Going forward in general insurance space, he said, the health and annuity or pension-linked insurance products will gain predominance.

News	***IPO guidelines for life insurers to be out this month***
Newspaper	***The financial Express***
Source	***http://www.financialexpress.com/news/ipo-guidelines-for-life-insurers-to-be-out-this-month/774620/0***

New Delhi: Insurance sector regulator IRDA said guidelines to allow life insurance companies to raise funds from the capital market will be out by the end of this month.

"They (Life insurers companies) will be completing 10 years (in business) later this year. Our IPO guidelines must be in place before that... by the end of this month," IRDA Chairman J Harinarayan told reporters on the sidelines of FICCI National Conference on Insurance.

Discussions for allowing listing of insurance companies on the bourses have been going on between capital market regulator SEBI and the Insurance Regulatory and Development Authority (IRDA) for nearly three years now.

Under the current SEBI law, companies can get listed on the bourses after they finish 10 years of operations.

The IRDA is likely to allow public float by only those companies, which are in the business for at least 10 years and have a track record of three successive years of profit.

Several private sector insurers, including Reliance Life and HDFC Standard Life, have shown interest in tapping the capital market to augment their resource base.

Several of the insurance joint ventures, including Reliance Life, are about to complete 10 years of operations in India, whereas HDFC Standard Life has already completed a decade of business here.

At the moment, besides state-owned Life Insurance Corporation, 22 private companies are offering life insurance policies.

On the issue of hiking premium rates for motor insurance covers, Harinarayan said that IRDA was finalising the premium rate, which would insulate insurers from the losses.

Insurers have incurred losses of about Rs 3,500 crore loss in the current fiscal on account of motor insurance. "We have brought out an exposure draft... We will take a call on that shortly... We will finalise on what will be the right level of premium," he said.

In January, IRDA in an exposure draft had proposed a review of motor insurance premium rates for third party liability cover.

The draft, if implemented, will result in a 10 per cent increase in premium for private cars and two-wheelers and up to 80 per cent for goods carriers.

The exposure draft envisages an increase of 10-80 per cent in the premium rates of third party motor insurance. Third party motor insurance is mandatory for all classes of vehicles. Though regulation of the tariffs in the non-life sector was withdrawn in 2007, third party motor insurance continues to be regulated. The rates were last revised in 2007.

News	***ULIP biz down by 15 percent during FY11: IRDA***
Newspaper	***The Financial Express***
Source	***http://www.financialexpress.com/news/ulip-biz-down-by-15-during-fy11-irda/774661/0***

New Delhi: Amid a row between Sebi and insurance regulator IRDA over control of unit linked products, the ULIP business declined by 15 per cent during 2010-11.

"The proportion of sale of ULIP products has certainly come down. When compared to last year, ULIP business has gone down by about 15 per cent," IRDA Chairman J Harinarayan said on the sidelines of FICCI National Conference on Insurance.

ULIPs -- which are hybrid insurance products in which a portion of the investor's premium is invested in equity – became a subject of controversy after market regulator Sebi in April last year banned private life insurance companies from issuing such schemes. Soon after, IRDA issued a order asking insurers to ignore Sebi order.

After the government directed that IRDA would have jurisdiction over ULIPs, the insurance regulator came out with new guidelines for such equity-linked products in September last year.

ULIPs, which used to be around 60 per cent of life insurers business prior to the guidelines, saw a decline as agents shifted focus to traditional products.

As per the new IRDA guidelines, the commission paid to distributors and expenses charged by insurers will no longer be front-loaded and will be distributed over the lock-in period of the schemes, which has been raised to five years from three years earlier.

Though the new rules will benefit policy holders, reduce the first-year agent commission and help in curbing rampant mis-selling, insurance firms will be required to underwrite more losses, infuse more capital and cut costs to sustain ULIP sales.

Furthermore, IRDA has fixed the floor on guaranteed returns from ULIP pension plans at 4.5 per cent, which will greatly benefit policyholders saving up for retirement.

Along with these changes, the regulator has fixed stringent minimum disclosure guidelines for insurers.

Under the new disclosure norms, agents cannot take policyholders for a ride, as they can now see the financial position of the company over the website and do not need to depend on agents, said an industry expert.

The life insurance industry has grown 8-fold in the past decade-from a total premium income of Rs 34,892 crore in 2000-01 to about Rs three trillion in 2010-11. Over Rs one lakh crore of total premium is estimated to have come from ULIPs in 2010-11.

News	***Cess for cashless critical illness cover mooted***
Newspaper	***The Financial Express***
Source	***http://www.financialexpress.com/news/cess-for-cashless-critical-illness-cover-mooted/774858/0***

New Delhi: The call to firm up a cashless treatment scheme for all in case of critical illnesses that is funded by imposing a health cess is gathering steam.

Within a gap of less than two months, a second expert committee on health has recommended that “it could also be considered wherein government could provide cashless treatment for critical illnesses for all citizens in select hospitals. Such a programme could be administered through something on the lines of ‘health financing cess’.”

Last month, a high-powered panel in the Planning Commission constituted by the Prime Minister proposed a healthcare model that allows cashless treatment for all in select specialty hospitals. The funding for such a set-up is proposed to be administered under ‘a single payer system’. Under this, a public health insurance agency is proposed be responsible for collecting funds and making payments for mandated healthcare services from a single source. The possible financing options include a health cess, as reported by FE earlier.

The other recommendations include setting up a credit bureau for insurance agencies with a detailed history of all insured persons, which would include frauds. A similar problem that afflicted banks and housing finance companies was resolved by forming Credit Information Bureau India (CIBIL), which helped them access the past credit histories of borrowers before advancing new loans, reducing their risk by blacklisting defaulters.

“CIBIL has made borrowers more disciplined on repayments, as they fear being declared defaulters and losing the opportunity to secure loans in future. A similar data bank for insurance agencies can go a long way in lowering the number of defaulters and would result in a lower interest rate for all borrowers. During the interim period when such an insurance bureau is being formed, insurance companies should be allowed access to CIBIL data as many insured people would have taken loans at some point in time,” said Sujoy Shetty, leader, Pharma Practice, PwC, who is also a member of the committee on improving access to healthcare in the country.

Other members in the committee include Devi Shetty, chairman of Narayana Hrudalaya, representatives from department of pharma and ministry of health, industry members from Bharti Axa Life Insurance, Max Healthcare, third party administrators such as Paramount TPA among others.

A copy of recommendation is being sent to the Insurance Regulatory and Development Authority, Planning Commission, health ministry, Department of Pharma for consideration.

Other suggestions of the committee include formulating policies that covers preventive check-ups and OPD (outpatient department) treatments so that unnecessary hospitalisation is avoided, make provision of group coverage of health insurance for private sector employees mandatory and make tax incentives related to insurance schemes more lucrative.

At present, less than 15% Indians are covered under some form of health insurance, including government-supported schemes. Only around 2.2% are covered under private health insurance, of which rural health insurance penetration is less than 10%. Although healthcare insurance in India is underpenetrated, it is expected to grow at a CAGR of 15% till 2015.

At the current rate of growth only 50% of India’s population would have health insurance cover by 2033. This is despite estimates indicating that nearly 39 million people in India are pushed below poverty line because of ill health every year.

Around 30% in rural India actually opted out of medical treatment for purely financial reasons in 2004, up from 15% in 1995. While in urban areas, 20% of ailments went untreated for financial reasons in 2004, up from 10% in 1995. Additionally, around half of all hospital admissions in rural India and 31% in urban India were financed by loans and the sale of assets.

News	***Hosps dictate cashless terms***
Newspaper	***The Times of India (Mumbai edition)***
Source	***http://epaper.timesofindia.com/Default/Scripting/ArticleWin.asp?From=Archive&Source=Page&Skin=TOINEW&BaseHref=TOIM/2011/04/12&PageLabel=2&EntityId=Ar00200&ViewMode=HTML&GZ=T***

Mumbai: Mediclaim policyholders in the city have cause for both celebration and caution as the cashless facility makes a gradual comeback. While more hospitals are keen to join the Preferred Provider Network (PPN), consumers have to do adequate homework to avoid being shortchanged by the devil hiding in the details.

After 169 hospitals returned to the cashless fold last year, 17 hospitals recently joined the PPN. After Jaslok Hospital and Research Centre, four Fortis hospitals at Mahim, Vashi, Mulund and Kalyan, Hiranandani in Powai, Cumballa Hill in Kemps Corner and Umrao Hospital in Mira road joined the PPN, swelling the list to 186.

The General Insurance Public Sector Association (GIPSA), the umbrella organisation for the four public sector insurance companies covering 80% of the country's cashless insurance market, introduced the PPN in July 2010 to cap 'exorbitant' rates charged for surgeries. However, rates suggested under PPN did not go down well with hospitals and cashless service providers fell from 900 to 60.

But overwhelming demand for the cashless facility is bringing hospitals back. "More hospitals are joining PPN, on our terms. We already have 700 hospitals," said Dr Mohammed Mukhtar, health strategist and manager of MD India Health Care Services. He added GIPSA was in talks with another 150 hospitals in Mumbai.

A senior doctor said hospitals are joining as they are afraid of losing patients. "But the 1500 nursing homes haven't yielded to GIPSA's demands."

Interestingly, insiders say many big private hospitals joined the PPN on their own terms. Vijayratna V, regional general manager, Fortis hospitals agreed:

"Rates have been customized for hospitals as they cannot be universal. We reached a consensus with GIPSA and then joined the PPN." President of the Association of Hospitals, Vijay Krishna, said: "Hospitals joining PPN is inevitable but I find it hard to believe they are finewith GIPSA rates." A health expert said: "Consumers will soon realise little has changed for them in the stand-off between GIPSA and hospitals."

In fact, many hospitals have been able to negotiate higher rates. An official from a Third Party Administrator (TPA) said, "In many cases insurance companies agreed to pay 30-40% higher than what hospitals charged before joining the PPN network. A tertiary care hospital in Vashi would bill Rs 53,000 for cholecystecomy. But after it opted for PPN, insurance companies agreed to Rs 82,000 for the same."

Then there is the instance of a Bhayander hospital, categorised under Grade D, where charges for a particular procedure is marked Rs 14,000. However, it has inked an agreement with the insurance company under Grade C, pegging the same procedure at Rs 18,000. Another hospital in Mira Road charges Rs 28,750 for normal delivery in the PPN rate, whereas its normal delivery package for twin-sharing room is Rs 23,000.

A hospital in Mulund increased prices for coronary angiography and angioplasty to Rs 19,000 and Rs 1.26 lakh respectively in May 2010 under twin-sharing basis, but under PPN it charges Rs 21,500 and Rs 1,30,000, respectively. Likewise, insurance firms agreed to pay a hospital near Sarvodaya Hospital Rs 21,000 for angiography, but its corporate package for angiography is 14,000. A hospital in Kurla developed by a politician charged Rs 14,000 for economy coronary angiography. After joining PPN network, it charges Rs 45,500.

The TPA official said, "Neither policyholder nor insurer benefits. The patient pays more premium while the insurance company continues to bear losses." Another official said, "Insurance companies should ensure PPN rates are lower than those offered to patients not availing mediclaim."

INSURERS' RATES

Bypass surgery Rs 1.30 lakh – 2.20 lakh
Angioplasty (without stent) Rs 75,000 - 30 lakh
Appendicitis Rs 25,000 - 60,000
Caesarean section Rs 30,000 - 55,000
Fracture management Rs 50,000 - 1.10 lakh
Hysterectomy Rs 35,000 - 80,000
Hernia Rs 30,000 - 75,000 Cataract Rs 24,000 (universal)
Knee replacement Rs 80,000 - 1.25 lakh NEW TO THE CLUB

Cumbala Hill Hospital, Kemps Corner SL Raheja Fortis Hospital, Mahim Terna Sahyadri Specialty Hospital & Research Centre, Nerul L H Fortis, Vashi Fortis Hospital Ltd, Mulund and Kalyan Umrao Hospital, Mira Road Kapoor Eye Centre, Kemps Corner Apex Kidney Care Private Limited, Malad (w) Divya Eye Clinic and Day Care Centre, Juhu Criticare Multi-speciality Hospital, Airoli

News	GIC sets stringent rules for state-owned general insurers
Newspaper	Business Standard
Source	http://www.business-standard.com/india/news/gic-sets-stringent-rules-for-state-owned-general-insurers/431927/

At a time when the government-owned general insurance companies are reeling under heavy underwriting losses, the General Insurance Corporation (GIC), fearing higher claims, has tightened the noose on these companies by offering lower reinsurance capacities, cutting commissions and putting in stringent underwriting conditions while renewing their contract.

In some cases, the reinsurer has offered 50 per cent lower capacities than last year.

According to the Insurance Regulatory Development Authority (Irda), GIC, being the designated reinsurer in the country, is required to reinsure 10 per cent of the total business written by the general insurance companies. There are also sectoral caps on how much risk general insurance companies can place with GIC for various lines of their business such as fire, industrial and marine risks, aviation, liability and machinery breakdown risks.

Public sector insurers place as much as 65-70 per cent of their risk with GIC, while private general insurance companies place around 60 per cent of their risk.

Global reinsurance companies such as Swiss Re, Lloyd's, Munich Re, AIG and Asia Capital Re, are active players in India.

"Motor and health constitutes more than 64 per cent of the total general insurance business in India and both are loss making. The pricing does not reflect the risks, due to which the loss ratio is increasing in these companies. So, we have reduced our participation in the government-owned general insurance companies as our past experience hasn't been very good," said a senior official at GIC.

This apart, GIC has put in place stringent underwriting conditions based on pricing practices and claims ratio while giving the support to these companies.

GIC is estimated to take a hit of around Rs 350 crore during 2010-11 on account of losses from the third party motor pool. The total losses in the third party motor pool is estimated to be around Rs 3,500 crore during 2010-11. As directive of the insurance regulator, GIC has to bear 10 per cent of the loss in the pool. GIC has also cut commissions paid to the insurance companies for the pass on their liability to the reinsurer.

"In addition, the profit commission, which we started last year as an incentive, has been rolled back in some cases," the official said.

"Before offering its support, it a usual practice of GIC to evaluate the reinsurance portfolio. However, premiums in motor and health segments have gone down by 70-80 per cent than it used to be before detariffing, on account of stiff competition. There is a growing apprehension on the part of GIC that risks are being underwritten at very low rates. This has resulted in the conditional support," said a reinsurance broker.

An official from the public sector general insurance companies admitted that GIC had been trying to put in some restrictive conditions while renewing the contracts.

"GIC is now looking at earlier claim history, pricing and risk management systems and the technology adopted before deciding on the extent of reinsurance support to be given. However, we have been able to get reasonable rates," said an official at a state-owned general insurance company.

"In some cases, GIC has reduced the capacity they offered earlier specially on the inward reinsurance where companies reinsures a part of their huge risk with other insurance companies," said another official from a public sector general insurance company.

On a cumulative basis, these risks come to GIC, which in turn increases the exposure further. GIC has been particularly restrictive on such treaties and kept it out of the 10 per cent obligatory cede.

Four public sector general insurance companies — Oriental Insurance, New India Assurance, National Insurance and United India Insurance — reported underwriting losses of about Rs 4,900 crore during 2010-11 April-December period. During 2009-10, the underwriting losses were at Rs 4,541 crore.

Health and motor insurance has the highest claims ratio where the average loss ratio is more than 120 per cent and 150 per cent, respectively.

News	***Central Bank, IOB eyeing insurance business***
Newspaper	***The Hindu Business Line***
Source	***http://www.thehindubusinessline.com/industry-and-economy/banking/article1688739.ece***

Taking a cue from the Punjab National Bank's (PNB) model for entering the lucrative insurance market, two other public sector banks — Indian Overseas Bank (IOB) and Central Bank of India — are planning a similar move.

PNB, the second largest state-owned bank, had in March announced plans to enter the life insurance business by buying a strategic stake in an existing company, in return for providing its extensive network of more than 3,800 branches throughout the country. The bank is believed to have zeroed-in on three companies — Bharti Axa Life, Aviva Life and MetLife.

Identifying the model

An official in one of the leading private life insurance firms told Business Line that both IOB and Central Bank are at an initial stage of identifying the right model to start an insurance arm.

Through a bancassurance tie-up, these banks will offer their branch network as a low-cost distribution channel to existing insurance companies. In return, banks would seek a strategic stake holding. A new distribution cost structure announced by the IRDA last year, had made other channels like agencies less effective as it has put a cap on commissions that can be paid to an agent, thereby reducing the incentive to sell.

"Both IOB and Central Bank are trying to enter the insurance sector in India by partnering companies with experience in the field. With bancassurance turning out to be a very cost-efficient distribution model for insurers, there are many insurance companies which are interested in tapping banks. These public sector banks may use the same model being followed by PNB, though with some changes in design as per the specific contract," said the insurance company official.

He added that among other PSBs planning a foray into insurance, Syndicate Bank has already issued a Request for Information to private insurers, while Indian Bank is currently selecting a consultant that would help it choose the right model for the insurance business.

The insurance company official added that Central Bank, like PNB, would find it easy to leverage its large network of 3,650 plus branches, though a smaller bank like IOB may find it harder to attract large insurance companies.

Banks could also consider partnering with other banks in a tripartite joint venture with an insurance company, which would give access to a larger network. This has been the case with Star Union Dai-ichi Life and Canara HSBC Life (with Oriental Bank of Commerce).

News	***Irda chief says agency model is inadequate***
Newspaper	***Mint***
Source	***http://www.livemint.com/2011/04/11234616/Irda-chief-says-agency-model-i.html?h=B***

New Delhi: Insurance Regulatory and Development Authority (Irda) chairman J. Hari Narayan said the dominant agency model of selling insurance has serious shortcomings.

An alternative would be to take better advantage of the bancassurance model, which involves tying up with banks to sell insurance products.

“Irda has set up a group to look into how the bancassurance channel can be more efficiently utilized and re-engineered to meet the needs of tomorrow,” he said in Delhi on Monday. “How can we leverage the vast infrastructure of the banking sector in a manner which promotes consumer interest... Of the 80,000 odd bank branches in India, only around 15-18% sell even one policy.”

The regulator set up a committee in 2009 to examine whether banks could be allowed to sell policies of more than one life and general insurer. The report of the committee is still awaited.

“Agency in the traditional form has vanished in many markets in the world and I don’t see why India will be an exception to this,” Narayan said at an insurance seminar organized by industry lobby group Federation of Indian Chambers of Commerce and Industry (Ficci).

Greater emphasis on per-branch profitability will add to the pressure on the agency channel. That is, premium collections will have to be commensurate with fixed costs, said M.N. Rao, managing director and chief executive of SBI Life Insurance.

However, the bancassurance model could make up for any drop in the number of agents. “The banking system has more than 60 crore accounts. We are nowhere near utilising the full potential of the channel,” Rao said.

The insurance industry can leverage the reach of the banking sector to expand in rural areas. “Almost 30-35% of the banking industry’s branches are in the rural areas,” Rao said. “So insurance companies do not need to spend their funds in setting up branches”.

Almost 41% of all premiums for the non-life industry come from the agency channel, according to a report by the Boston Consulting Group (BCG) and Ficci on the non-life insurance industry. This rises to 90% for state-run Life Insurance Corp. of India (LIC) and 51% for private life insurers.

Industry says poor productivity and low persistency levels due to mis-selling have made the agency channel non-profitable. The persistency rate is the percentage of policy contracts still in force in a specified time interval.

In February, as part of efforts to improve the quality of the agency force, Irda issued guidelines mandating agents to maintain at least 50% persistency till 2013-14 and 75% from 2014-15.

The agency channel is no longer considered lucrative, Narayan said.

“Today, a young person in India doesn’t look at agency as a sustainable means of livelihood and career,” he said. “This needs to be addressed both from the point of view of regulation and by the companies.”

Agents need to make themselves relevant to customers by becoming advisers, said Amitabh Chaudhry, managing director and chief executive, HDFC Standard Life.

“Over a period of time, for an agent to be relevant to the customer, he will need to be able to offer a whole suite of financial products,” he said.

Many agents won’t be able to mature into that kind of role and so their number will drop, he added.

The insurance industry is still looking for a profitable agency model, said Alpesh Shah, partner and director, BCG.

“To cover costs, the average monthly annualised new business premium per agency manager has to be in the range of Rs. 2 lakh,” he said. “In reality, it’s only around Rs. 1.25-1.5 lakh per month.”

The Irda chairman indicated the regulator may be willing to alter renewal commission structures once it is empowered to do so after the insurance amendment Bill gets passed by Parliament.

“There will be a greater flexibility in terms of commissions and payouts. The Bill...will provide greater flexibility on the regulatory side rather than the enactment side,” Narayan said.

At present, renewal commissions that can be paid to intermediaries is capped at 5%.

News	***Insurers asked to set timeframe for claims settlement***
Newspaper	***The Hindu Business Line***
Source	***http://www.thehindubusinessline.com/industry-and-economy/banking/article1691833.ece***

Insurance companies will have to lay down a timeframe within which they would settle claims of the insured. This advice from the Finance Ministry comes in the backdrop of increased concerns over undue delays in claim settlements.

'Not satisfactory'

"The track record of the insurance industry in India in settlement of claims so far has not been satisfactory. Undue delay in claim settlement, underpayment and hassles in prompt settlement are the main concerns of the insured. It is necessary that insurance companies lay down a timeframe within which claims would be settled and adhere to the schedule," Mr Shashi Kant Sharma, Secretary, Department of Financial Services, said at an insurance event here on Monday.

In the last decade, the insurance industry in India has undergone a remarkable transformation on multiple fronts. There has been progress in terms of enhanced penetration, increased coverage of lives/property, growth in distribution channels and more products.

In the life insurance segment, there are now 22 companies besides Life Insurance Corporation (LIC).

The share of the private companies has increased from virtually zero in 2001 to 55 per cent of annualised new business premium (ANBP) in 2010, according to a recent Boston Consulting Group-FICCI report on Indian insurance industry.

However, post recent regulatory changes, which have positively impacted LIC, the share of private companies fell to 40 per cent for the first ten months of 2010-11.

The biggest loss in market share was for the top five private companies, with their share coming down to 24 per cent from about 36 per cent in FY 2010-11.

News	***Life insurers not in any rush for IPOs***
Newspaper	***The Indian Express***
Source	***http://www.indianexpress.com/news/life-insurers-not-in-any-rush-for-ipos/775464/***

It will be at least a year or two before life insurers plan to tap the primary market. They would rather work towards improving valuations since dramatic regulatory changes in the last one-year have significantly hit their bottomline. The regulatory changes have resulted in sharply lower business margins for unit-linked insurance plans and forced insurers to cut commission payouts. This has impacted the product and distribution strategy of life insurers and adversely affected their profitability forcing them to pare their operating expenses.

Amitabh Chaudhry, MD & CEO, HDFC Life says, "We are not in a hurry to go for an IPO. Our shareholders are very clear that we would go for it only at the right time which implies the right valuation that can be sustained based on our business performance."

News	***Portability may spike health insurance costs***
Newspaper	***The Times of India***
Source	***http://timesofindia.indiatimes.com/business/india-business/Portability-may-spike-health-insurance-costs/articleshow/7967224.cms***

NEW DELHI/MUMBAI: Insurance companies fear that health insurance portability, which is set to kick in from July, may not help unhealthy buyers get better service as insurers can still use pricing to turn down unprofitable proposals. This is possible because the insurance regulator has been silent on pricing of portable policies.

So, if you are paying, say, Rs 5,000 to your existing insurer for a Rs 1 lakh cover and wish to switch to another company, the new insurer could ask you cough up Rs 10,000 for an identical cover.

This strategy could be adopted by insurers to deny health insurance to those suffering from chronic ailments such as diabetes or a heart ailment, which would increase the possibility of claims. In addition, older people are seen to be more prone to ailments and hospitalization and are often denied health insurance.

The objective of portability is to ensure that policyholders can go to those companies that provide them the best service. At present the biggest barrier against switching is the exclusion of pre-existing ailments and the loss of 'no claim' benefits.

Insurers typically wait for a few years before they waive the pre-existing ailment exclusion. If a policyholder undergoes any heart ailment in the first year, the claim is usually rejected on the grounds of the condition being a pre-existing one. The Insurance Regulatory and Development Authority (IRDA) has, in its guidelines on portability, asked insurers not to reject pre-existing claims when policyholders switch.

The chief executive of a general insurance company told TOI that the issue of pricing has been raised with the regulator, which is expected to address it soon. Another issue raised by insurers is the lack of a common database that they can access to get the health and claim record of an insured person. "In the absence of data, it is difficult to find out the claim history and fix the premium," the CEO said.

News	***Innovation must to redefine cover for changing lifestyles***
Newspaper	***The Economic Times (Delhi Edition)***
Source	***http://epaper.timesofindia.com/Default/Scripting/ArticleWin.asp?From=Archive&Source=Page&Skin=ETNEW&BaseHref=ETD/2011/04/13&PageLabel=14&EntityId=Ar01402&ViewMode=HTML&GZ=T***

A much ignored and yet a critical piece in the health insurance value chain is bringing innovative products and practices that will safeguard customers over the long haul. Currently, most innovations are centered on tariff changes and tweaks in features which is not a sustainable model over an extended period of time. A strong example of an area of opportunity for insurers would be innovations focusing on specialised critical illness covers.

Statistics reflect that over eight lakh Indians are affected by cancer every year, nearly five crore suffer from coronary heart disease and almost one lakh patients are diagnosed with kidney failure each year. As the income level of a rising Indian middle class keeps increasing, so does the rapidity of individuals falling victim to critical illnesses owing to lifestyle factors. The 30s are the new 40s and 40s are the new 50s. Adding to significant woes is the Indian budget with extremely limited suggestions to reform this sector. One can expect fueling of medical expenses which is currently at 15% and rise on total healthcare costs which will in turn lead to higher insurance premium. With this scenario, insurers need to build capabilities that give insights into unique buying behaviour while at the same time educating consumers on the requirement and benefit of a specialised polic. Indian consumers can be strongly characterised by their financial fragility and lack of financial readiness in case of unforeseen contingencies. Diagnosis of a critical ailment and subsequent treatment could either force a section of the society into poverty or force them to take loans, at times from unscrupulous moneylenders or even result in forced sale of assets including jewellery and homes. The urban middle class profiles typically have existing mid- and long-term financial commitments in the form of EMIs for a vehicle or a home. Further, rising inflation especially on basic essentials like food combined with conspicuous consumption associated with higher income and living standards has led to an exponential increase in expenses associated with daily living. Not to mention the aspiration to provide the best education for children at expensive universities. With such strong financial obligations and requirements, if a breadwinner in the family is diagnosed with critical illness, the financial security of the household can very much be threatened. A good critical illness policy not only extends support towards treatment but takes into account the family's needs to protect income loss or wealth depletion. Insurers can create far greater goodwill and value when the critical illness policy provides the flexibility of lump-sum payment upon diagnosis of the illness, irrespective of treatment or hospitalisation costs, thus protecting wealth, income and livelihood. Thus creating value will not only be about what the policy covers but also about how effectively insurers can make it work for their consumers.

The other important aspect is taking this "protection across 800 million people in our 650,000 villages. The total health expenditure in India is estimated at . 3 lakh crore as per industry sources. Hospitalisation spends reportedly account for . 1 lakh crore. As against that, the present level of health insurance premium is worth only . 6,000 crore. In other words, a vast majority in India does not come under the insurance umbrella. What is even more disconcerting is despite the harsh reality this year's budget did not propose service-tax exemptions for the micro insurance sector apart from the RSBY schemes run by the government for below poverty line people. This would have indeed triggered penetration into rural India.

So to make micro insurance work in our favor, as a nation, we need stronger focus from government, including leeway to make use of government infrastructure, increased resources on the part of the industry, leveraging technology and telecom and creating a business model that is viable. What we need is more partnerships between private and public sector to develop innovative and demand-based products. Also, a clear strategy for educating these markets supported by training modules in local languages is a clear must. There are several products that are now part of the rural India households. We need to imbibe those best practices that ensure general Insurance industry can live up to the promise of being a significant catalyst for real financial inclusion.

News	LIC may tender part of its stake in Siemens AG offer
Newspaper	Financial Chronicle
Source	http://www.mydigitalfc.com/news/lic-may-tender-part-its-stake-siemens-ag-offer-325

Life Insurance Corporation of India (LIC) is likely to participate in the open offer by Siemens AG to buy 19.82 per cent stake in its Indian unit Siemens. The offer closes on Wednesday.

LIC, which owns 13.72 per cent stake in Siemens, will take a final decision on the number of shares to be tendered on Wednesday, a top official told Financial Chronicle. “We have not taken a decision yet. We will decide on it on Wednesday,” said the official.

Siemens AG has priced the offer at Rs 930 a share. Going by Monday’s price of Rs 841.35, the offer looks attractive with a premium of Rs 88.65 apiece (9.53 per cent). Siemens AG will be spending as much as $1.4 billion (Rs 6,215 crore) for hiking its stake in the Indian unit from 55.18 per cent to 75 per cent.

It will also be keenly watched whether MFs, which own stake in Siemens, will participate in the offer. Reliance AMC (4,134,718 shares), DSP Blackrock (3,921,063 shares), UTI AMC (3,132,347 shares), Tata AMC (1,494,660 shares), SBI Funds Management (1,400,735 shares), IDFC MF (633,169 shares) and Birla Sunlife AMC (514,629 shares) are the mutual funds that have holding in Siemens.

Last July, during a similar offer by Zurich-headquartered Asea Brown Boveri for its Indian unit, LIC had tendered nearly half of its stake. The open offer for ABB was priced at Rs 900 a share. The stock closed at Rs 801 on Monday.

Gaurav Mehta, derivatives analyst at Ambit Capital, had earlier told Financial Chronicle that he expects LIC to tender at least half of its holding, if not more in the offer, considering the premium. “LIC is likely to tender at least 50 per cent of its holdings in the offer as there would not be any impact cost for the insurer (if they chose to sell their stake in the offer),” Mehta said. HSBC Holdings is the investment banker for the open offer.

Date – 14-April-2011

News	Life insurance premium may come down soon
Newspaper	Financial Chronicle
Source	http://www.mydigitalfc.com/insurance/life-insurance-premium-may-come-down-soon-417

Life insurance premium to be paid by young people and those between 50-60 years will fall soon as the Insurance Regulatory and Development Authority (Irda) is about to approve the new mortality table that will show higher life expectancy.

The impact will be most on pure insurance or term plans, and senior Irda officials said premium could fall 10-15 per cent. There will be a drop in premium of unit-linked insurance plans (Ulips) and endowment plans, which are insurance-cum-investment products.

“We are studying the data. We will soon approve it,” a senior Irda official told Financial Chronicle. The data were collected by Life Insurance Corporation and private insurers. The new table will be driven by the experience of LIC, which has a market share of over 65 per cent and a major chunk of traditional products portfolio.

The new mortality table is based on 2008-10 data and it was prepared by a committee made up of members of the Mortality and Morbidity Investigating Centre, an affiliate of the Institute of Actuaries of India, actuaries and members from the industry.

Life insurers now use LIC's 1994-96 table, which was based on claims over the years, because private players started operations only in the past decade.

The table only provides mortality rate per thousand. According to Irda officials, the new table will have location-based information. "The country has been divided into five groups, with states falling into one of the groups based on life expectancy in the state. The new table will also contain data on gender and life expectancy of smoking and non-smoking population," said an official.

GN Aggarwal, chief actuary, Future Generali Life Insurance, said, "There will be a slight reduction in premium. Even though all companies use LIC data, they take into account that the data is old, so reduce the standard premium."

Aggarwal said insurance companies had been reducing rates across segments over the years. "Premium has gone down 6-7 times in the past one year," he said.

Mortality table indicates the rates that are to be charged on people of different age groups based on average life expectancy of a person in that age group. As a country develops and prospers, better health care and improved lifestyle lead to an increase in life expectancy, which is reflected in reduced mortality.

A senior industry official said life expectancy has improved by around 20 per cent over the past 10 years.

News	***HDFC Standard Life may break even this year***
Newspaper	***The Hindu Business Line***
Source	***http://www.thehindubusinessline.com/industry-and-economy/banking/article1693795.ece***

HDFC Standard Life Insurance, which expects to turn profitable this fiscal, has said that its promoters will add a further Rs 150 crore in 2011-12 to its paid-up capital of Rs 2,170 crore to support its 10-year-old business.

The company was one of the earliest private sector life insurers to enter the domestic market after deregulation in 1999.

"We will hopefully break even this fiscal. It is high time that the stakeholders got returns for their investments. In a new business you usually make a loss in the first year, but as the backbook (existing customer base) increases or if people surrender, you generate cash," said Mr Amitabh Chaudhry, MD and CEO, HDFC Standard Life.

He added, "We took a longer time because as compared to the competition our first year premiums were high, but the backbook was less profitable and our fund management charges were lower."

Private insurers which have already reported profits include SBI Life, ICICI Prudential Life, Bajaj Allianz Life Insurance, Birla Sun Life and Kotak Mahindra.

Growth target

HDFC Standard Life said that it has also missed its growth target for new business in the previous fiscal by 10 per cent (Rs 200-300 crore) largely due to a dip in sales after the regulator announced stricter guidelines for the more popular Unit-Linked Insurance Plans (ULIPs) in September. In 2010-11, new business for the company grew 15-17 per cent, while renewals were up 37 per cent.

"The new guidelines have been good in stopping some of the ills of the industry, the growth numbers prior to that did not seem realistic. This fiscal we do not expect very high growth, because of the high base of the first half of 2010-11. In 2011-12, we expect 15 per cent growth in new business and up to 30 per cent growth in renewals, both of which will be better than the industry," he said.

While most of the insurance industry are shifting focus towards traditional products because of higher restrictions and lower charges in the sale of ULIPs, HDFC Standard Life believes otherwise. The share of ULIP sales for the company is high at 79 per cent.

"ULIPs are more transparent and the charges are now much lower, which makes it attractive. Also, the market gives better returns … traditional policies give returns in the 7-8 per cent range, while ULIPs also cover for inflation with returns in the 12-15 per cent range. Many have shifted their strategy, but in the long-term when volumes will be higher ULIPs will be more profitable," said Mr Chaudhry.

News	Life Council charts out 10-yr action plan
Newspaper	The Financial Express
Source	http://www.financialexpress.com/news/life-council-charts-out-10yr-action-plan/775881/0

Mumbai: As the life insurance sector completes a decade post the opening up of the sector, it is going for a rethink. Life Insurance Council, the official representative body of life insurers, is busy preparing a road map for the next 10 years. Some of the broad areas being covered under the vision document for the industry, include code of conduct, governance, profitability, growth, product development, distribution, penetration and innovation.

The document is being prepared by a committee comprising P Nandagopal, managing director and CEO of IndiaFirst Life Insurance, Nageshwar Rao, managing director and CEO of IDBI Federal, and Rajesh Relan, managing director and CEO of Metlife Insurance.

The committee was supposed to submit its report before the council a couple of months ago, a industry source requesting anonymity said.

Talking to FE, SB Mathur, secretary general, Life Insurance Council, said, "The industry has already completed 10 years, and hence, it is time to re-evaluate the industry."

Though the road map was basically meant for internal consumption of the industry, we may discuss the contents of the report with the insurance regulator, Insurance Regulatory and Development Authority (Irda), Mathur added.

Recently, J Hai Narayan, chairman of Irda, had said that in the next three years insurance companies will see changes in distribution set up, marketing techniques, channels of distribution and terms of regulatory development.

"The agency model that we see right now has serious deficiencies and that requires to be strengthened. I do not think the agency distribution model is going to last very long," he said.

He said agency model in the traditional form has vanished in large markets across the world. "I do not see why India will be any exception to that particular development," the Irda chief added.

He said policy holders will gradually have to pay more for motor, health and other general insurance covers as costs would go up due to companies setting aside higher funds for claim settlements.

"I think the demand and supply position in the non-life industry will be such that prices should harden and I expect to see evidence of that in the course of next few years. And I would like to make it even harder as we go along," said Hari Narayan. He had said that the non-life insurance companies would need to bring in changes in marketing, pricing and modes of claim settlement to become profitable.

"Because of the requirement of increase in provisioning, there will be a reduction in capacity and because of that there will be a hardening of prices," he added.

Irda has already proposed to increase provisioning requirement for insurers providing motor insurance covers.

Irda had increased the provisions made for motor pool to 153% of book value for the four years till March 31, 2010, against 126 % maintained by companies. This is aimed at enhancing solvency margins and make higher provisioning for third-party motor pool.

Solvency margin is the minimum surplus on the insurer's assets over liability set by the regulator and the insurance companies are estimated to have provided about R3,500 crore till March 31, 2010, for maintaining this margin.

News	Sanlam awaiting change in norms to up stake in Shriram Life to 49 percent
Newspaper	Financial Chronicle
Source	http://www.mydigitalfc.com/banking/sanlam-awaiting-change-norms-stake-shriram-life-49-392

Sanlam Plc, which holds 26 per cent stake in Shriram Life Insurance, will look at increasing its stake to 49 per cent in the joint venture, once the bill amending foreign direct investment in insurance companies comes into force, said the managing director of the company Akhila Srinivasan, to Financial Chronicle.

With the finance minister announcing in the recent budget that the insurance FDI amendment bill would be presented soon the company was confident of seeing a higher stake holding by their joint venture partner, she said. The five-year-old company is one of the most profitable in the life insurance business in India.

Banking on the Shriram Group's branch network, wide customer base and the cross-selling opportunities, the company has managed to make profits every year right from 2006-07, except in 2009-10 when there was a marginal loss, according to Akhila.

In 2010-11 too, the company hopes to post profits. During the year the company posted a 30 per cent growth in new premium income to Rs 550 crore and a similar 30 per cent growth in total premium income to Rs 800 crore. This despite the confusion caused by the uncertainties on unit-link insurance policies, which resulted in the company posting a 52 per cent growth in new premium income during the first half, and a 21 per cent drop during the second half.

As a result, Ulips, which earlier constituted 95 per cent of the new policies sold, dropped to 40 per cent in 2010-11. Though it has resulted in the sale of traditional policies going up from 5 per cent to 40 per cent, the company would still focus on making Ulips attractive.

"Traditional policies are good. But the rates are less transparent compared to Ulips. Also with the longevity of people increasing, the returns that your investments bring are also important. The savings component of traditional policies is very less. Ulips provide an opportunity to park more money in equity," Akhila asserts.

The company, which has an established presence in its strongholds Tamil Nadu and Andhra Pradesh, will look at firming up its presence in northern, eastern and western India.

News	Braking point: Motor insurance claims drive losses of PSU insurers
Newspaper	The Financial Express
Source	http://www.financialexpress.com/news/braking-point-motor-insurance-claims-drive-losses-of-psu-insurers/775913/0

New Delhi: Public sector Oriental Insurance Company expects its balance sheet to show a huge jump in underwriting losses in its forthcoming results, due to an over 200% rise in motor insurance claims. Responding to the crisis-like situation, the insurance regulator is expected to drastically revise the premium for the compulsory segment of motor insurance, also known as third-party cover, this month.

The situation has been brought on as under the Motor Vehicles Act, owners of all commercial and passenger vehicles have to get themselves insured against claims for causing injury or damage to others. Own-damage claims are optional under insurance laws. Because third-party cover is a loss-making portfolio, private sector insurance companies avoid taking on premium for only such cover, but a large percentage of old private and commercial vehicles want only this insurance.

Oriental and the other three public sector companies have to compulsorily take on such premium. As a result of the huge concentration of third-party cover in their motor insurance portfolio, the companies are bleeding.

For 2008-09, the incurred claims ratio for Oriental was 237.76% for trucks and others. This means that of every Rs 100 the company earned, it paid out Rs 237 towards the third-party claim.

It has to dip into other portfolios to make good the loss. Obviously, the position is unsustainable.

The ratio was 232% for the entire public sector group, whereas it was 72% for the private sector companies. Once the Insurance Regulatory and Development Authority of India (Irda) revises the premium, there will be a sharp rise in third-party motor insurance premium. If the Irda draft guidelines on motor insurance premium rates for third-party liability cover are accepted, insurance premiums on trucks and buses would go up by 80% and for cars and two-wheelers by 10%. Data from Irda's Insurance Information Bureau show that that losses of both public and private sector insurers on their motor third-party insurance portfolio for commercial vehicles are going up consistently. In fact, Irda chief J Harinarayan said at a recent Ficci conference in the capital that general insurance companies have reported a combined loss of about R3,500 crore in the last fiscal on account of motor insurance claims.

He said that a final decision to increase the rates will be taken any time soon. “The liabilities in third-party have been immense and the rates for motor third party insurance must go up substantially. In view of the new liabilities, there must be nothing less than a 100% increase in rates,” says RK Kaul, chairman and managing director, Oriental Insurance. He adds that the Irda exposure draft that has proposed to increase the rates will ease the situation to some extent, but underlined that it was not enough. The Irda exposure draft is currently in the public domain and the authority will decide on the rates soon. While regulations on premiums in the non-life sector were withdrawn in 2007, third-party motor insurance continues to be regulated under the provisions of the Indian Motor Tariff Act.

The increase in rates has been on the cards for some time because of rising claims arising out of road accidents. Kaul explains that third-party motor insurance claims takes years years to mature, sometimes even eight years. “There is no time limit for filing the case as one can file it even five to six years after the accident, and once the case is filed, then it has its own procedures. In fact, motor third-party has always been bleeding the insurance companies portfolio as rates were always less than what they should have been.” To ensure that third-party motor insurance is not disproportionately loaded only a to certain classes of insurers, Irda constituted a motor pool five years ago to share the losses, which is currently running at a deficit.

Commercial vehicle owners have objected to the proposed steep hike in the third-party motor insurance premium and are advocating out-of-court settlements with accident victims.

News	***United India Insurance profit may be lower in 2010-11***
Newspaper	***The Hindu Business Line***
Source	***http://www.thehindubusinessline.com/industry-and-economy/banking/article1694033.ece***

United India Insurance expects to report lower net profits for 2010-11 due to higher provisioning on wages and motor pool losses. The company made a net profit of Rs 707 crore in 2009-10, the highest among the public sector insurers. United India's net profit for the first nine months of the current year was Rs 333 crore.

Mr G. Srinivasan, Chairman and Managing Director, United India Insurance, told Business Line that the company had to set aside provisions for wage revision of about Rs 450 crore which is expected to dent its net profits for the just ended financial year.

The insurance regulator has asked all general insurance companies to increase provisioning for losses arising out of accident resulting in fatality or disablement of the third party to about Rs 3,750 crore for the last four years. On account of this, the provisioning which United India Insurance would have to make is Rs 350 crore.

Due to this provisioning, the solvency margin would come down to 3 per cent from 3.5 per cent which is still above the mandated requirement of 1.3 per cent by the regulator, he said.

Underwriting losses

The Chennai-headquartered insurer expects to close the financial year 2010-11 with a premium income of Rs 6,375 crore, a 22 per cent growth over last year. Underwriting losses have gone up due to more claims in health and motor third party insurance.

Mr Srinivasan pointed out that United India had the lowest underwriting losses compared with those of the other three public sector players.

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