



• Quote for the Week •

“Faith is the strength by which a shattered world shall  
emerge into the light “

Helen Keller

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### Insurance Industry

***Insurance FDI: Centre eyes ordinance route as Rajya Sabha logjam persists - The Hindu Business Line***

With just two working days left for the current Rajya Sabha session, the Centre has indicated that it may take the ordinance route to hike the foreign direct investment (FDI) limit in the insurance sector to 49 per cent. The BJP-led National Democratic Alliance's minority status in the Upper House is a hurdle for smooth passage of the Bill.

“In case the Insurance Bill is not passed in this session, the ordinance route can't be ruled out,” a top government official said here on Thursday. This indication came after the Rajya Sabha was adjourned without transacting any major business. Thursday was the eighth successive day of disruption as the Opposition demanded a statement from Prime Minister Narendra Modi on the religious conversion controversy. An ordinance has the same powers as an Act. Based on the urgency, it can be promulgated between two sessions of Parliament. However, the government needs to get it converted into an Act in the next session.

It is believed that the Centre wants to put in place a statutory structure for foreign equity before US President Barack Obama's visit next month. Ordinances have been used before. Most recently, the UPA Government promulgated ordinances to empower SEBI to act against Ponzi and illegal deposit schemes. These became an Act in August.

Normally, both Houses of Parliament do not take up any government legislative business on Friday as it is reserved for Private Members' Bills. This leaves just two working days, December 22 and 23, in the ongoing session. The Insurance Bill has been pending in the Rajya Sabha for the last eight years. In the last session, it was referred to a Select Committee of the Rajya Sabha, which submitted its report on December 10 and the Cabinet nod for the amendments came the same day.

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### IRDA Regulation

***Rs 60K-crore investments needed for more insurance penetration: IRDA chairman T S Vijayan - The Economic Times***

The domestic insurance industry needs investments worth up to Rs 60,000 crore in next five years to increase the penetration levels substantially from the current 3.9 per cent, Insurance Regulatory and Development Authority Chairman, T S Vijayan has said.

Vijayan also predicted that 2015 will be in a better position in terms of premium collection for all the three verticals of insurance industry - Life, Non-Life and Health. "Our calculation was that, in the next five years, to increase the penetration, Rs 50,000 crore to Rs 60,000 crore is required. This was our calculation some time ago. "When the sector started, it (insurance penetration in the country) was less than 2 per cent. It has doubled to 3.9 per cent now. I will not say it will double again. But there will be substantial growth (with the investments in the next five years)," Vijayan told the media in an exclusive interview.

He, however, said the investment calculations have been based on several factors such as GDP growth, inflation figures, rupee stability and production numbers in the next five years. The insurance regulator hopes the sector may have good growth numbers in FY16 when compared to the current year. He said the new guidelines which were introduced in the current year for the life insurance industry has led to the consolidation and may witness growth next year. "The year 2014 has been a sort of consolidation (for Life). Now it is stabilised. 2015 should be a very good year in terms of premium collection. Health insurance is doing well, though the penetration is very little. There is good growth.

"Non-life is also doing well. Down the year 2015, I believe though it is difficult to predict what is going to happen, all the three sector should see very good growth," he added. Vijayan refused to predict the foreign investments that are expected to flow into the industry once the Insurance Bill is enacted. The IRDA chief opined that there is a need to undertake campaign at mass levels to inculcate insurance culture among people. The Jan-Dhan Yojana is an excellent programme for raising awareness of banking and there is need to have a 'Jan Bima Yojana' too to raise awareness of insurance, he added.

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## Life Insurance

### *Life insurers seek separate tax deduction limit of Rs 1.5 lakh - financial Chronicle*

Life insurance companies have sought a separate tax deduction limit of Rs 1.5 lakh in an effort to make this asset class more taxpayer friendly. The Life Insurance Council (LIC), the industry body of all 24 life insurance companies, has sought deduction under Section 80C which may be allowed on the basis of term of policy and also a separate deduction limit of Rs 1.5 lakh for life insurance.

It would encourage long-term savings and help incremental flows come into life insurance sector, LIC said in a pre-budget memorandum submitted to Finance Ministry last week. It said that the share of investment allowed for deduction has shrunk and over the period of time, various investments such as mutual fund, bank deposits etc have been included within the overall limit of Rs 1.5 lakh.

Certain expenditure such as tuition fees, fixed deposits, ELSS etc also get allowed as deduction within the same limit. Hence there is an urgent need to treat life insurance asset class a little differently as this would also help in mobilizing financial resources for the Infrastructure sector as required, LIC said in a statement.

The limit of Rs 1 lakh for contribution to pension policies under section 80CCC and limit of Rs 1.5lakh available under section 80C of the Income tax Act, 1961 should be mutually exclusive, V Manickam, the Secretary General of Life Insurance Council, said. This would help to incentivise people for creating pension fund to avoid dependency in old age, he said.

LIC has suggested that the threshold to deduct tax should be increased and linked with at least basic exemption limit. The TDS deduction should be triggered only beyond the threshold limit. On indirect taxes, the LIC has sought reduction in the service tax rate on endowment and single premium policies and has also requested the finance ministry to issue clarification – that service tax is not leviable on surrender charges.

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## Health Insurance

### *Workshop on health insurance - The Financial Express*

Professional Advancement Bangladesh Limited (PABL), a subsidiary of Green Delta Insurance, joined hands with Insurance Institute of India (III) to organize a workshop on health insurance at the capital Saturday. The workshop was inaugurated by Mr Zuber Ahmed Khan, Member, Insurance Development and Regulatory Authority (IDRA), Mr Nasir A Choudhury, Advisor of Green Delta Insurance Co Ltd., and Mr P Venugopal, Secretary-General, Insurance Institute of India.

Four sessions were held in the daylong workshop. The paper presenters for the sessions were, Mr A K A H Chaudhuri, Advisor, Bangladesh General Insurance Company Ltd., Ms Farzana Chowdhury, Managing Director and CEO, Green Delta Insurance Company Ltd., Mr Arindam Mukherjee, Director, College of Insurance,

## Source

Insurance Institute of India and Dr George E Thomas, Professor (Research & Non-Life), College of Insurance, Insurance Institute of India.

The workshop was attended by Management Committee members of Green delta Insurance and Insurance professionals from Sadharan Bima Corporation, Jiban Bima Corporation, Guardian Life Insurance, BGIC, Prime Islami Life Insurance Continental Insurance, Progoti Insurance, Chartered Life Insurance, Reliance Insurance, Progressive Life Insurance, United Insurance, Insurance and Banking Department of Dhaka University.



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### *Insurance cover for organ transplants to ease donor costs – Business Standard*

The expenses of both organ donors and donees can now be covered under a wide variety of products being offered by the insurers because of the increasing numbers of transplant. Insurers have started offering covers - earlier only add-ons or a small portion of the cover - as part of comprehensive health insurance plans. Usually, a donee had to bear the burden of the donor's medical expense, along with their own.

But an insurance policy that covers organ transplant treatment is very helpful. Though the donor's medical expense - 20 to 40 per cent of the total treatment cost - still has to be borne by the donee.

K G Krishnamoorthy Rao, managing director and chief executive officer, Future Generali India Insurance, said almost all insurers cover organ donation expenses in health policy, especially since organ transplants are gaining popularity in the country.

The number of transplants in India is around 15,000-20,000 every year. According to media reports, about 2,00,000 people need a new kidney and about 1,00,000 need a new liver every year. However, a very small per cent of the demand is met.

The number of donors are few and the high cost of treatment is a barrier. Health insurance experts are of the view that it is advisable to buy a policy that will cover the medical expenses of both the donor and the donee.

Hospitals also prefer organ donors who have an insurance cover against unexpected medical expenses so that the liability can be shared.

While this is not mandated, hospital authorities say that since such covers are available, it should be easier to be insured than before. With the insurance regulator mandating that general insurers cover at least 12 critical illnesses, organ donor expenses is also included under its ambit by companies.

Industry sources said that earlier there were several cases of organ donors being rejected a cover by the general insurance companies due to the risks involved.

"Now, with the advancement of technology, both public and private companies are now averse to providing a cover. But, the individual has to disclose this at the very beginning to avoid rejection of claims in the future," said the chief executive of a mid-size private general insurance firm.

Even new products coming into the market have such features. For instance, Liberty Videocon General Insurance which recently entered the retail health space with the launch of its product covers organ donation expenses up to the sum assured.

### Source

Roopam Asthana, director and chief executive officer, Liberty Videocon General Insurance, explained that their Health Connect policy covers expenses incurred towards organ donor's screening and treatment for harvesting of the organ donated.

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### *Health claims: Insurers pay more than TPAs - The Hindu Business Line*

The average claim amount of health insurance policies settled by intermediaries, such as third-party administrators (TPAs), is 5 per cent lower than those settled by in-house claim settlement teams set up by insurers, reveals Insurance Information Bureau data for 2012-13.

For instance, if a health insurance company settles a maternity claim of Rs 70,000 through its in-house team, the amount would have been Rs 66,500 if settled through a TPA.

Most insurers outsource claims processing to TPAs, who act as intermediaries between hospitals and insurers, to save on administrative and distribution costs. As TPAs get a commission for cutting down claims, they often question the treatment and tests the insured undergo, resulting in a reduction in the claim settlement amount.

However, data from IIB show that the difference in claim settlement amount between in-house teams of insurers and TPAs narrowed significantly in 2012-13 to 5 per cent from 17 per cent in 2011-12.

According to industry experts, while earlier many TPAs settled the claims directly with hospitals, stringent health insurance regulations now require that only the insurance company, and not the TPA, can settle or reject a claim.

This has resulted in tighter control over TPAs. The regulation was issued following a Bombay High Court ruling that required health insurers to pay the claims directly to the consumers.

Gaurang Damani, an activist who fights medical insurance cases in the Bombay High Court, said that as a policyholder's health insurance contract is with the insurance company, an intermediary, like a TPA, should only be allowed to process the claims.

While most private sector insurers, like ICICI Lombard, Bajaj Allianz, HDFC Ergo and Future Generali settle claims in-house, public sector insurers, who control 60 per cent of the health insurance market at present, settle all their claims through TPAs.

Public sector general insurers are currently in the process of jointly setting up their in-house claim settlement team called the Health Insurance TPA of India which is likely to be operational by April.

A senior official of New India Assurance said that the in-house claims settlement team will help ensure that dispute resolutions are faster and plug leakages in the system. In-house TPA of public sector insurers will gradually take over handling of claims from other TPAs.

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### IRDA Circular

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IRDA uploaded the circular regarding Submission of Health Insurance Regulatory Returns through the Business Analytics Project (BAP) Module to CEOs of all non-life Insurers.

### Source

IRDA released changes in Health Insurance Regulatory Returns as published under IRDA (Health Insurance) Regulations, 2013 to CEOs of all non-life insurers.

## Global News

### ***Brazil reinsurance market continues to grow - [www.reactionsnet.com](http://www.reactionsnet.com)***

The Brazilian reinsurance market showed strong growth in the year to end September 2014, according to the regular quarterly report put out by local reinsurer Terra Brasis Re.

In the 12 months aggregate period, reinsurance volume (gross of commission) stood at BRL9.25bn, compared with BRL7.53bn for the same period in 2013, a 22.8% increase. For the first nine months of 2014, the former monopoly reinsurer IRB held a market share of 31%, other local reinsurers 37% and foreigner reinsurers 32%.

In the first nine months of 2014, Brazilian insurers generated BRL6.8bn in ceded reinsurance, compared with BRL5.9bn the same period in 2013, an increase of 17%.

Terra Brasis says that there are 64 foreign groups with authorisation to operate in Brazil, of which 20 have an Admitted Reinsurer licence and the remainder having Occasional Reinsurer licence. There are 16 local reinsurers. The discrepancy with the oft quoted 103 foreign groups arises because several companies have licences in more than one category, according to Terra Brasis.

### Source

In the first nine months of 2014, Local Reinsurers produced a net profit of BRL386m, compared to a profit of BRL29m in the same period of 2013, of which IRB posted BRL327m.

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