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News Categories

* **Insurance Industry**
  * Insurance frauds may up premium by 3-5 percent
  * Insuring Retail
  * IRDA issues merger norms for private general insurers
* **General Insurance**
  * Third party auto insurers bat for higher premium
  * Shifting terror cover to attract big penalty
  * Lloyd's spurns India's demand to reverse expansion of risk zone
* **Health Insurance**
  * Health insurers seek clarity, change in portability norms
* **Customer Service**
  * E- grievance portal for insurance holders
* **Bancassurance**
  * Banks may get to sell products of 4 insurance companies
  * IRDA prefers to supervise bancassurance with RBI

Insurance Industry

Top

News	Insurance frauds may up premium by 3-5 percent
Newspaper	Financial Chronicle
Source	http://www.mydigitalfc.com/banking/insurance-frauds-may-premium-3-5-871

Increase in the number of fraud cases in the insurance industry can force policy holders to cough up to 3-5 per cent more in premium. The fraud cases put additional cost pressure on the insurers, said Ernst and Young in its recent survey.

Forty per cent respondents have said that fraud cases have risen over the past one year. Even though the insurance industry in India is growing at 20 per cent year-on-year, fraud claims that are given out add to the overall number of claims, leading to losses.

According to the survey, fraud in insurance can increase costs for insurers by at least 1 per cent and can rise by more than 5 per cent in certain cases. Insurance industry relies heavily on third parties, such as distribution channel for selling its products, customer service to conduct due diligence of policyholders makes the industry prone to fraudulent practices.

"This necessitate the use of tools to identify the triggers for fraud detection and have the right control mechanisms for the process points to expose frauds," said Ravi Seshadri, head of audit and compliance at Bharti Axa General Insurance Company.

The frauds affecting the industry are related to misselling and presentation of fake documentation at the time of policy issuance.

Risk of frauds also rises when the customer does not directly buy the product. "While taking the policy, policyholders should be careful and avoid handing-over cash to the agents or employees of insurance companies. Since there have been instances in the past where customers were duped and provided fraudulent documents," said KG Krishnamoorthy Rao, MD and CEO of Future Generali India Insurance Company.

Top

News	Insuring Retail
Newspaper	The Financial Express
Source	http://www.financialexpress.com/news/insuring-retail/801567/0

The ubiquity and accessibility of the local kirana stores make them favourites not just for customers, but also for companies looking to release certain services aimed at the middle class. A kirana store's appeal lies in the fact that its prices on branded commodities are usually lower than those in mega-stores, fruits and vegetables are far more fresh in these stores than in the super market and, critically, kirana stores give credit and offer free home delivery. It's for all these reasons that many retail chains, such as Subhiksha, have had to close down their outlets. By all accounts, organised retail accounts for only 5-6% of the retail market in India. Various banks have noticed this and have tapped into the extensive network of kirana stores across the country. ICICI Bank launched a service earlier this year, by which a customer at a kirana store equipped with a credit/debit card machine can withdraw cash from the stores themselves. The surcharge of R10 per withdrawal is divided between the bank and the shopkeeper. SBI also saw an opportunity in the ubiquity of the kirana stores, and started offering banking services—opening an account, depositing cash, withdrawal or transfer of money—at the shops themselves. The most recent development is Irda finalising the guidelines for 'monoline' insurance agents—those who can sell only one simple insurance product, like accident insurance. Soon, you'll be able to buy insurance at your kirana store.

With the debate on large hyper stores versus small kirana stores still unresolved, the provision of these services can prove to be a viable compromise between the two. Kirana stores can provide the banking and insurance penetration into rural areas that is so far lacking. A Walmart hyperstore will be hard pressed to match the reach of the kirana stores, in any case. Implementing a cash-and-carry scheme and supplying the kirana stores could well cement their role in the Indian retail industry without disrupting the prevalent framework.

Top

News	Irda issues merger norms for private general insurers
Newspaper	Economic Times
Source	http://economictimes.indiatimes.com/personal-finance/insurance/insurance-news/irda-issues-merger-norms-for-private-general-insurers/articleshow/8783140.cms

Irda has announced the norms for mergers of general insurance companies . However, these norms, which have come into immediate effect, will not apply to the four public sector insurers. The new set of norms will be applicable only to private companies , leaving out New India Assurance , Oriental Insurance , United Insurance and National Insurance Company . Irda has reserved the right to impose additional conditions prior to court approvals, a change from the draft where the regulator had kept the final approval to itself after the court approval.

Irda in the final merger norms has stipulated that the solvency margins of the merged entity should not be less than the stipulated solvency norms, whatever it be at the time of the merger. Currently, the solvency ratio of general insurers stands at around 120%. The insurance regulator has also stipulated in the rules, which were notified through a government gazette on Wednesday , that if it feels necessary it may conduct an actuarial valuation of the merged entity, including assets & liabilities and solvency positions.

The merger norms comes 10 years after opening up of the insurance sector and most of the general insurers are suffering heavy losses from sectors such as health and motor. The norms also have been framed to protect the interest of policyholders, and all policyholders of the companies being merged need to be informed of the merger details . The merging companies shall also ensure that policyholders of the transferor entity are migrated in a manner which ensures that their existing policies are continued to be serviced by the transferee entity on terms and conditions, no less favourable than those existing prior to the merger.

Top

General Insurance

News	Third party auto insurers bat for higher premium
Newspaper	Financial Chronicle
Source	http://www.mydigitalfc.com/insurance/third-party-auto-insurers-bat-higher-premium-873

Huge losses suffered by general insurance companies will put pressure on the Insurance Regulatory and Development Authority (Irda) to revise premium for third party motor insurance.

Irda had hiked third party motor insurance premium for commercial vehicles by 68 per cent in April this year. However, general insurers say that hike is not sufficient and participation in motor pool will continue to bleed insurers. General insurance companies have been lobbying for abolition of motor pool and freeing of tariff in third party insurance.

The general insurance industry suffered an estimated loss of Rs 2,800 crore in 2010-11 due to third party motor pool. Each company has to contribute depending upon their market share.
The vice president – finance & accounts of ICICI Lombard General Insurance Company, Gopal Balachandran, said, “Around 68 per cent hike in third party premium is not going to have much impact on the losses suffered by general insurers. Claim ratio is over 180 per cent. It will not fully cover the losses.”

“Insurance companies continue to bleed. The industry has asked Irda to free up third party prices or to revise it further,” said KG Krishnamoorthy Rao, MD and CEO, Future Generali India Insurance Company.

Third party motor insurance is the only tariffed segment and the premium is regulated by Irda. In other segments, insurers are free to fix premium depending on their claim experience.

Irda has set up a committee on declined pool for commercial vehicles. Commiittee has favoured flexibility given to general insurers to underwrite some of the third-party commercial vehicle businesses independently and price based on the risk. Only vehicles denied insurance will come under the declined pool, where all general insurance companies will share liabilities. Irda is still studying the report.

At present, the third party pool accepts all proposals for third-party liability of commercial vehicles. All general insurers have reported a loss or dip in profits due to contribution in motor pool.

ICICI Lombard, largest private sector general insurance company reported a loss of Rs 80.34 crore in 2010-11 compared to Rs143.93 crore in profit the previous year.

United India Insurance reported a net profit of Rs 130 crore, down 81 per cent compared to last year. Bajaj Allianz General Insurance company reported net profit of Rs 43 crore compared to Rs 121 crore in FY11.

In a recent report on general insurance sector, Pawan Agrawal, director, Crisil Ratings said, “We believe that the rate hike is inadequate to cover the substantial losses incurred in this segment. We also estimate the industry’s underwriting losses to increase significantly to more than Rs 10,000 crore in 2010-11 from Rs 5,900 crore in 2009-10. This increase reflects weak underwriting performance, increase in reserving requirements for each of the past four years on the third party motor insurance pool, and wage revisions in public-sector insurance companies.”

Top

News	Shifting terror cover to attract big penalty
Newspaper	My digitalfc.com
Source	http://www.mydigitalfc.com/news/shifting-terror-cover-attract-big-penalty-208

Only regular premium on subsequent years
Having taken terror cover from insurers abroad, Indian companies which now want to switch to Indian insurers will have to pay a large penalty. But those taking out a terror cover for the first time from Indian insurers will not be charged the penalty.

This proposal was adopted at a meeting on Monday of the underwriting committee of the “Indian market terrorism risk insurance pool”. The proposal will now go to the insurance regulator for approval.

In a letter to insurance companies, General Insurance Corporation (GIC), the pool manager, has suggested a premium penalty amounting to three years’ difference in the premium at current pool rates and that charged by the overseas reinsurer. In subsequent years regular premium may be charged.

The letter also asked insurance companies to “cede all terrorism risks up to the pool capacity, only to the pool and not reinsure in the international market.”

In India insurance companies can provide terrorism cover for a maximum of Rs 750 crore from the pool on a single location. The pool was created in 2002 when foreign reinsurers refused to reinsure terrorism risks after the 9/11 attacks in the US. The entire terrorism premium is ceded to the pool and claims are shared by insurers in proportion to their respective capacities in the pool, which now has a premium corpus of over Rs 2,000 crore.

Yogesh Lohiya, chairman and managing director of GIC Re, told Financial Chronicle that the pool was created because companies were not getting terrorism cover in the wake of the 9/11 attacks. “Now that the international market is stable, companies are buying covers from abroad for a better price and using the pool as a standby.”

“If foreign reinsurers refuse to renew or cancel a policy or raise the premium, companies come to the pool. They cannot use it as a standby and they must buy cover up to Rs 750 crore from the pool. The excess cover required can be arranged by us from abroad,” he added.

He said foreign reinsurers often found ways to reject claims which the Indian pool never did. For example, the pool paid claims for terrorist attacks on the Taj and Oberoi hotels in Mumbai even before they were filed, said Lohiya.

The trigger for the penalty proposal is the case of Essar Steel which last year bought a terrorism cover from a foreign reinsurer for Rs 1,000 crore for its plants at Hazira and Vizag and a 267-km slurry pipeline, including booster, between Chattisgarh and Vizag. The premium paid to the foreign reinsurer was half the pool rates. However, the foreign reinsurer refused to renew Essar’s policy this year or honour a Rs 907 crore claim that arose after a Naxal attack.

Essar Steel then approached the terrorism pool this year and will now pay the prescribed penalty. Said a senior official of a large company, which bought a terrorism insurance cover from a foreign reinsurer, “Many companies want a bigger cover than the Rs 750 crore provided by the pool. Besides, a foreign cover is cheaper than the pool cover.”

Top

News	Lloyd’s spurns India’s demand to reverse expansion of risk zone
Newspaper	Live Mint
Source	http://www.livemint.com/2011/06/07232456/Lloyd8217s-spurns-India82.html

Global insurer Lloyd’s of London has spurned India’s demand to reverse a recent labelling of almost all of the country’s west coast as prone to pirate attacks. In December, the joint war committee, a global body that assesses marine insurance risks, expanded large parts of northern Indian Ocean as a conflict zone—the eastern border of which extends to the west coast of India—citing increased instances of sea hijacking in the region.This has raised insurance costs of cargo reaching or leaving India’s western ports. The committee comprises underwriters from the Lloyd’s Market Association (LMA) and the International Underwriting Association (IUA).

“It is generally understood that piracy (in the region) remains a threat—insurers therefore have to act accordingly,” Neil Roberts, senior executive–underwriting, Lloyd’s Market Association, said in an emailed reply. India has been lobbying Lloyd’s and the International Maritime Organization (IMO), the global maritime regulator, to overturn the expansion of the areas considered prone to pirate attacks, claiming the decision has triggered a 300% jump in ship insurance costs. This, in turn, has raised transaction costs of commodities shipped into India.

India’s government and shipping companies informed the joint war committee in May that stepped-up naval patrols have driven away pirates.

“It would seem self-evident that if Indian waters were safe, there would be no need for naval patrols,” said Roberts.
M.M. Saggi, nautical adviser to the government, told the 89th session of the Maritime Safety Committee of IMO, held in London between 11 and 20 May, that the expansion of the war risk zone had a “direct implication to the transaction cost of commodities to Indian ports”.

He added: “Considering that there have been no attacks reported for the last two months within 500 nautical miles from the Indian coast, after Indian Navy has taken remedial measures, it is imperative that the eastern boundary of ‘war zone’ be reduced to an appropriate longitude if not brought back to earlier limit.”

Roberts, however, said additional premiums are not automatic.

“The listing (of an expanded piracy risk zone) triggers a notification to underwriters so individual voyages can be evaluated and if it is believed there is a reduced threat, any premiums charged will quickly demonstrate that reduction,” he said. If ship owners had issues with premiums they should take up the matter with their broker and the underwriter concerned, he added.
“Interestingly, in other similar examples from different countries in the past, when challenged, there was no further contact as on examination it transpired that the mark up had not come from insurers,” Roberts said.

Local ship owners said the higher premiums were denting margins during a time of over capacity and rising costs.

“The shipping industry is facing very challenging times,” said an executive at one of the top three shipping firms in India. “Everybody is clutching at straws; so every penny counts,” she said.The country’s biggest ocean carrier, Shipping Corp. of India Ltd, reported a net loss of Rs. 6 crore in the March quarter. Net profit for India’s biggest private ocean carrier Great Eastern Shipping Co. Ltd dropped 93% in the fourth quarter, and for Essar Shipping Ports and Logistics Ltd, 78%.

Health Insurance

Top

News	Health insurers seek clarity, change in portability norms
Newspaper	MyDigitLife.com
Source	http://www.mydigitalfc.com/insurance/health-insurers-seek-clarity-change-portability-norms-009

Weeks ahead of the introduction of portability in health insurance, the sector wants a few issues ironed out and certain changes in the guidelines.

The General Insurance Council (GIC) has called for a meeting of the underwriters of all the 22 health insurance providers in the country in Mumbai this Tuesday to hear out their concerns and reservations on portability.

Insurers have raised concerns and complain about lack of clarity on issues like pricing, exclusions in coverage and the transfer of no-claims bonus among others. The consensus draft would be presented to the regulator, Insurance Regulatory and Development Authority (Irda) by the GIC after consultation with the CEOs, said senior officials with the industry.

Health insurance portability, which will come into force from July 1 and will allow health insurance policyholders to move to a different insurance provider of their choice based on the products or the services.

Most health insurance policies have exclusions for coverage of certain treatments, items or services like exclusion of coverage for dental care, vision care, out-patient treatment, cosmetic treatment, conditions like Aids or mental illness and this may differ from product to product.

“The exclusions suggested by Irda in its guidelines for health insurance portability are very few in number while most products in the market have more number of exclusions. If we were to go by Irda and have fewer exclusions then the premium for the products should be increased,” said a senior underwriter with a leading private sector firm.

Most industry members refused to come on record on the issue saying that they were all for portability but only wanted these concerns to be addressed.

Irda's portability guidelines to allow the customer to carry the no-claims credit to the new insurer. So in cases where a customer who has filed no claims with a health insurer moves to another new insurer after a few years and immediately files a claim, it is to the benefit of the first health insurer while the second loses by settling a claim immediately. Insurers want to have clauses in place to ensure a level playing field for all players.

"The portability could ideally be only between one hospitalisation cover to another or one critical illness cover to another. If it is to be between a hospitalisation and critical illness cover then there has to be clarity on the specifics of such transfers," said the health insurance head of another leading private sector firm.

Customer Service

Top

News	E- grievance portal for insurance holders
Newspaper	Mail Today
Source	http://epaper.mailtoday.in/showstory.aspx?queryed=9&querypage=39&boxid=4046109&parentid=54346&eddate=Jun%20%204%202011%2012:00AM&issuedate=NaNundefinedundefined

INSURANCE policyholders can now register their complaints through an online grievance portal called the Integrated Grievance Management System (IGMS) launched by the Insurance Regulatory & Development Authority (IRDA) on Friday.
IRDA chairman J. Hari Narayan said IGMS provides a standard platform to all insurers to resolve policyholder grievances and also enables the stakeholders to analyse data on complaints and make systemic changes wherever required. He said it will be an effective regulatory tool.

" IGMS is a comprehensive solution, which not only has the ability to provide a centralised and online access to the policyholder but also complete access and control to IRDA for monitoring grievance disposal by insurance companies," Hari Narayan explained.
IGMS also enables detailed analysis that would help identify issues of concern for the policyholder. IGMS will have the ability to classify different complaint types based on predefined rules. The system will be able to assign, store and track unique complaint IDs and also enable intimation to various stakeholders as required, within the workflow.
It will enable defining of target turnaround times (TATs) and measuring the actual time taken to deal with all complaints.
The system automatically triggers activities at the appropriate time through rule- based workflows, Hari Narayan said.

Bancassurance

Top

News	Banks may get to sell products of 4 insurance companies
Newspaper	Economic Times
Source	http://articles.economictimes.indiatimes.com/2011-06-08/news/29634159_1_insurance-products-bancassurance-referral-model

Banks may soon be allowed to sell products of four insurance companies. According to a report of the Committee on Bancassurance, banks may be allowed to tie up with any two sets of insurers — two in the life insurance sector, two in non-life, two in health, ECGC and AIC.
Bancassurance, a distribution model where insurance products are sold through bank branch network, will be allowed to operate on principles of tied agency, which is the current status of the bank. With a network of over 80,000 branches, bancassurance is said to be the most efficient way to achieve financial inclusion in the insurance sector. There are 17 banks with shareholding in insurance companies.
Insurance companies may not be able to sell equity stake to banks for distribution tie-ups at a discount. The committee has recommended that the discount in valuation of equity share given by insurers to bank distribution partners should be valued as per accounting standards and treated as advance commission and amortised in a period not extending beyond three years. Recently, Axis Bank had picked up 4% stake in Max New York Life at face value for a strategic tie-up for 10 years. The committee has, however, suggested that the tenure of the agreement between the banker and the insurer shall not be less than five years.

Top

News	Irda prefers to supervise bancassurance with RBI
Newspaper	Mydigitalfc.com
Source	http://www.mydigitalfc.com/news/irda-prefers-supervise-bancassurance-rbi-212

Avoiding a fresh round of inter-regulatory turf war over hybrid financial instruments, the Insurance Regulatory and Development Authority (Irda) has favoured a joint regulatory mechanism for supervision of bancassurance products.

Releasing the report of the committee on bancassurance on Tuesday, seeking comments of stakeholders, the insurance regulator said, "The bancassurance regulation may contain a separate clause which empowers both Irda and RBI to inspect any of the bancassurance partners."

The committee, appointed to offer recommendations on bancassurance on May 4, 2009, submitted its report to the regulator on May 26, 2011 and Irda has sought the remarks of the RBI governor on the recommendations, said RK Sarma, deputy director of Irda, in a circular on Tuesday.

"RBI is the regulator of all scheduled commercial banks/regional rural banks/ cooperative banks and banking NBFCs in India. Hence, any business done by banks, either fee-based or fund-based, shall be supervised by RBI. The RBI may prescribe necessary reports for this purpose," said the committee's report on the distribution of insurance products by banks.

However, the committee said, "In case of SPVs (special purpose vehicles) set up exclusively for insurance distribution, Irda will remain the regulator and SPV shall follow all the regulatory prescriptions of Irda."

The committee has recommended to permit banks to tie up with any two sets of insurers — two in life insurance, two in non-life insurance excluding health, two in health insurance sector and ECGC and AIC.

Making 12 recommendations for banks on selling insurance products, the committee said the banker is equally responsible to the policyholder to inform all the features of the product and risks associated with it. "Any malfeasance, misfeasance or nonfeasance by the bank staff shall be strictly dealt with by RBI. A specified person of the bank is also to be made accountable as per existing provisions of Insurance Act and code of conduct for specified persons," it said.

Further, the committee said, "Banking ombudsmen may be mandated by RBI to accept complaints from the policyholder, whenever the bank or its staff is found in default. However, the insurer is always answerable to the policyholder as long as 64VB of Insurance Act is satisfied."

The committee said the banking regulator may also be requested to make banks accountable to banking ombudsmen for mis-selling and other policy servicing complaints against bancassurers.

Further, the committee has made it clear that banks shall not be eligible for any compensation other than the commission payable for distribution of insurance products and such commissions shall be the lesser of the legally permitted and F&U cleared commission.

Top