60 years of Insurance Education & Training
Diamond Jubilee
[1955 - 2015]

Insurance Institute of India

C – 46, G Block, Bandra-Kurla Complex, Mumbai – 400051

INSUNEWS

- Weekly e-Newsletter

2nd – 8th October 2015

● Quote for the Week ●

"In the End, we will remember not the words of our enemies, but the silence of our friends"

Martin Luther King, Jr.

INSIDE THE ISSUE

Insurance Industry

Insurance Ombudsmen seek more powers – The Hindu – 8th October 2015

Insurance Ombudsmen have sought more powers to settle higher claim cases as the number of complaints continue to increase.

"Ombudsmen should be conferred with more powers and the Government was yet to consider this aspect. Even the GBIC (governing body of the insurance council) as well as IRDA had recommended to the Government of India (Department of Financial Services) and "nothing has happened till date," Virander Kumar, Insurance Ombudsman, said while speaking at the insurers meet conducted by the Office of Insurance Ombudsman here on Wednesday.

At present, Ombudsman offices are dealing with claims up to Rs.20 lakh. This limit was set in 1998 and no amendments were made since then, he said. The plea was to increase the limit to Rs.50 lakh due to a rise in high value policies. Secondly, action has to be initiated against those agents mis-selling insurance products, he said adding, "the protection of policy holders interest (PPI) regulations are very old and these should be amended."

Also, the grievance redressal procedures, were not followed. If these were adhered to, number of grievances would come down, he said. Insurance companies deploy the same person looking after the claims to look after grievance redressal which is a violation of the rules, he said. During 2014-15, Ombudsman offices received 31,101 complaints at all-India level and had disposed 24,319. One-fourth of the complaints were agents-related.

Mr. Virander said the aim of the insurers meet was to highlight the role and functions of Insurance Ombudsmen in redressing the complaints or grievances of policy holders and discuss various issues relating to business of insurance, which would result in bringing improvements in customer service.

Ninety nine per cent of the Ombudsmen awards were honoured while only some of them were challenged in consumer courts. 61 per cent of the rulings were in favour of the policy holders and 39 per cent in favour companies, he said. Regarding portability of insurance schemes, insurance agents should clearly explain to the policy holders about the procedures involved on the transfer of pre-existing disease benefits to the new company.

Source

Back

NRIs important for Indian insurance - Deccan Chronicle – 7th October 2015

A non-resident Indian is defined as a citizen of India who resides outside India, usually for employment or business purposes. As per the income tax act, a person is not a resident of India if he is not in India for a period of 182 days during the preceding year.

NRIs primarily live outside the country for the purpose of earning income and repatriate their earnings to India, with the primary intention of returning to India at some point later in their lives — either after retirement or before. Normally they visit the country once a year and invest their money primarily in India.

These NRIs have a strong affinity towards the brands in India and are very much associated with Indian products and services, including insurance. The current regulatory provisions of Irdai provide for the following forms of offices abroad: Representative offices or liaison offices abroad: These offices normally undertake only promotional activities to educate customers about insurance products and act as an extended arm of the Indian insurance companies.

Foreign branch offices: Indian insurance companies are allowed to set up foreign branch offices which can source business from NRIs and issue insurance policies to them. Further, the branch offices act as one window of policy servicing for all the policyholders serviced by that location. Foreign insurance companies: These are promoted by Indian insurance companies which are registered in foreign countries, licensed/registered under the local laws of the country to sell insurance policies to local residents as well as NRIs.

NRI population

As per the statistics published by the ministry of overseas Indian affairs as of January 2015, the number of NRIs is estimated to be about 1.13 crore spread across 206 countries. About 28 lakh NRIs live in Saudi Arabia alone while another 20 lakh stay in UAE and 12.72 lakh in the US.

Some insurance companies, which have banks as their distributors, have opened representative offices primarily to service their overseas bank branch customers buying insurance products. Of late, some insurance companies have started applying for the foreign branch office model. LIC has promoted foreign subsidiaries in places like Bahrain and Nepal. In order to provide a better customer choice, there is scope for many other insurance companies tapping the NRI segment.

Source

Back

Banking on insurance - The Financial Express – 5th October 2015

Starting April 1, 2016, corporate agents, banks and their employees will be liable for insurance policies sold by them. The bank and its specific employee found guilty of mis-selling insurance products are likely to face action. This is based on the the Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015. Under the regulations, the insurance regulator has also allowed corporate agents, including banks, to tie-up for three life, three non-life and three standalone health insurance firms against the earlier limit of one only in each category. Banks already act as corporate agents through bancassurance agreements with insurance companies. Bringing a degree of responsibility to banks and corporate agents is a good move considering that between 40-50% of all insurance policies sold in the country are by banks.

What this does is to create a fair degree of responsibility for banks as far as selling insurance products is concerned. So, despite the fact that insurance is not a core product for a bank, it will need to over a period of time create a cadre of employees who know the intricacies of insurance policies they sell. That definitely involves a cost, but is critical in case banks are looking to expand their bancassurance presence. Also, the regulation states that banks need to ensure no policy is sold without proper disclosures about its features. That could well be the first step to bring about transparency in insurance products.

Source

Back

IRDAI Regulation

IRDAI to issue corporate governance norms this month - The Economic Times – 1st October 2015

Insurance Regulatory and Development Authority of India (IRDAI) will issue corporate governance norms this month to address issues such as management control of insurance companies among other things, its chairman T S Vijayan said here today.

"We are issuing corporate governance guidelines in October and this will also include issues of management control," Vijayan told reporters here.

Regulation for reinsurance companies will also be out this month. About seven foreign companies may open their branches here, he said.

In its ongoing efforts to streamline the sector, IRDAI is also regulating the expenses of management of insurance companies and proposing price revision based on the claim ratio, Vijayan said. "The accounting regulation will also come shortly. We will ask the companies to state their accounts segment wise with the premium, claim, and expenses for the segment in that segment," he said while addressing the industry at a conference.

"We hope this will help regulate and curtail the margins in the expense payout through a review of product pricing," the chairman added. "By April 1, 2016 some sanity will come in our industry," he said, stressing on the need for claims to be settled on time.

IRDAI is also in the process of digitising its database to enable better tracking of the insurance agents. The sale of a policy by the agent will be mapped digitally and in event of a complaint, the agent who has sold the policy can be traced.

Source

Back

Banks to face action for mis-selling insurance policies - The Times of India (Delhi edition) – 2nd October 2015

For the first time since they began selling insurance policies in 2002, banks will now be held accountable for mis-selling them. A bank and its specific employee, found guilty of mis-selling of insurance products, will face action under the new Insurance Act. The Insurance Regulatory and Development Authority of India (IRDAI) has directed banks to map policies sold by their employees and maintain records that it can access in case of a complaint.

The new law defines corporate agents as intermediaries, representing the customer. "...they have to act in the best interest of the customer," IRDAI chairman T S Vijayan said. Earlier, banks were reckoned as agents and representatives of the insurance companiess. "One of the problems that we encountered when we inspected banks was that they did not have much of an idea about the policies which were procured through them or the employees responsible for the sale. That is one loophole we want to plug in this regulation," said Vijayan.

Under the new law, the IRDAI chairman said "the policy and whoever is sourcing it will be mapped in the records of the corporate agent". While the database will be maintained by the bank, the IRDAI will be provided the credential so that it can remotely log in and inspect the records anytime. The regulator will have its supervision team in Mumbai, said Vijayan, who was speaking on the sidelines of a ceremony to inaugurate IRDAI's Mumbai regional office.

The insurance regulator will also come out with regulations on corporate governance. These norms will define management control so that insurance companies can meet the statutory requirement that the management is 'Indian'. "We should be able to bring out the guidelines in October", Vijayan said while inaugurating an ASSOCHAM insurance summit earlier in the day. The new Act also allows foreign reinsurance companies to set up branches in India. Vijayan said around six international reinsurance companies have shown interest in setting up a branch, of which three are seriously pursuing their plans.

Source

Back

Life Insurance

Private players drive insurance growth - The Financial Express – 6th October 2015

Between April and August this year, the first-year premium of life insurance companies grew 13.8% y-o-y as private players reported a 27% growth. State-owned LIC, which holds an over 70% of the market share, saw a growth of 9.2% on the back of healthy growth in group single premium.

For the industry as a whole, group single premium grew 41% during the period and individual single premium collapsed by 35%. Individual non-single premium grew just 3%, indicating that insurers will have to address the issue of rampant mis-selling and the regulator will have rationalise the cost structure.

Source

Health Insurance

Irdai mulling long-term health insurance products: TS Vijayan - The Financial Express – 8th October 2015

The Insurance Regulatory and Development Authority of India (Irdai) is planning to develop long-term health insurance products as part of its efforts to penetrate deeper into the health insurance segment. Currently, health insurance policies are renewed annually, or for two years in some cases.

“We are looking at long-term health insurance products to expand our reach. Such long-term health policies could carry a tenure of over 3-5 years. There is also a proposal to bring in long-term products for group insurance as well,” TS Vijayan, chairman, Irdai, said at the sidelines of an ICICI Lombard event marking the company’s milestone of 1 lakh policies in long-term two-wheeler insurance. ICICI Lombard is the first general insurance company to have launched long-term product for the two-wheeler industry.

“We have appointed a committee to evaluate the proposal, which include industry experts besides companies. The committee will bring in a report for long-term health insurance products soon,” Vijayan said, adding that the issue is pricing of products, which has to be streamlined. The insurance regulator is also mulling long-term products in the four-wheeler segment.

Vijayan clarified that claim experience has to be looked into because that is vital for longer-term offerings. On the industry, he said insurance penetration has to increase as the extent of risk cover is a measure of its stage of development. “In the US, almost 80% of the assets are covered by insurance whereas it is just 7% in India,” he said.

He said there was an unmet need for long-term products in non-life sector as well.

Asked about FDI, TS Vijayan said about 6-7 insurers have approached Irdai seeking permission to increase FDI. Refusing to give names, he said they wanted approval to raise the FDI ranging from 36% to 49% in both life and non-life sectors.

Meanwhile, ICICI Lombard has sold 1 lakh policies of its long-term product, which offers 2-3 options to two-wheeler owners, after it had started actively marketing the product in July this year. Bhargav Dasgupta, CEO, said about 40% of its online two-wheeler insurance sales were coming from the long-term product and the response suggests a new trend in this segment. “Long-term products are going to be a game changer in the two-wheeler segment where renewal of insurance was a major issue.”

Source

Back

Seniors seeking higher health cover - Business Standard – 3rd October 2015

General insurance companies are seeing a rise in the sum assured in health plans taken by senior citizens. Insurers say from an average of Rs 2-3 lakh, the size of cover has risen to Rs 5-6 lakh.

M Ravichandran, president, insurance, Tata AIG General Insurance, said to keep up with medical inflation there was a corresponding increase in the sum assured.

Ravichandran said since 2013 there had been a five-fold increase in the number of policies purchased by people above the age of 60. He added senior citizens preferred face-to-face interactions with agents and other intermediaries before purchasing health insurance.
India is estimated to have an elderly population of around 80-90 million and by 2050 this number is expected to rise to 315-320 million.

Insurance companies are bringing out specialised plans for policyholders above the age of 60. As long as they do not have any pre-existing condition, they are considered a good risk.

Rakesh Jain, chief executive officer, Reliance General Insurance, said, "There is a rise in the sum assured for indemnity health covers taken by senior citizens and other policyholders. With medical costs going up, the average size of policies is touching Rs 5-6 lakh."

Though insurers do not turn away senior citizens, they say policyholders are encouraged to take health cover early in life because premiums are lower at a younger age.

Source

General Insurance

Farm insurance coverage is poor: govt to House panel - The Hindu Business Line – 2nd October 2015

The government has painted a grim picture of the crop insurance scenario in the country. Making a presentation before the Finance Standing Committee of Parliament, government representatives said the penetration of crop insurance was just about 23 per cent (369.94 lakh) of the total number of farmers. A little more than 22 per cent of the gross crop area (455.63 lakh hectares) is covered under four insurance schemes – National Agricultural Insurance Scheme, Weather-Based Crop Insurance Scheme, Modified National Agricultural Insurance Scheme and Coconut Palm (Crop Specific) Insurance Scheme. Some of these schemes have been available for more than 15 years.

Composite scheme

The government informed the panel that it is considering introducing a composite agriculture insurance scheme that will provide coverage for life, accident, and agriculture machines/implements, besides crop losses. The government said it will design a portal for administrating crop insurance. The panel, headed by veteran Congress MP Veerappa Moily, was informed by the government that it is coming with new initiatives to widen the ambit of agricultural insurance schemes. The officials said it would review the ongoing schemes to make them simple and understandable to farmers and reduce their share of premium. It has also plans to set up automatic weather stations for better implementation of the Weather-Based Crop Insurance Scheme. The government told the MPs that publicity programmes will be launched to create awareness about the insurance schemes through different media.

Source

Back

Reinsurance

Foreign reinsurers may repatriate profit: IRDAI report - The Economic Times – 6th October 2015

Insurance regulator IRDAI today proposed that foreign reinsurers take back earned profit to their country. The repatriation of surplus from a branch of foreign reinsurer may be allowed if the available solvency margin is above 175 per cent of the mandatory requirement, said a report. A seven-member committee headed by Thomas Mathew, former MD of LIC, is of the view that "regulations in the current form may not be applicable to reinsurance branches and the regulator needs to provide further clarifications or more amendments on the above regulations so as to enable stakeholders to provide relevant feedback".

The Insurance Laws (Amendment) Act, 2015, permitted foreign reinsurers to set up branch office in the country. Following the enactment of the new Act, it had become necessary to examine the issues related to opening of branch offices of foreign reinsurers. The committee was entrusted with the task of examining the minimum solvency capital requirements, registration insurers or reinsurers offices in IFSC, applicability of regulations on actuaries working in these entities and any other related matter. The committee unanimously agreed that the risk-based capital (RBC) approach is the preferred way to assess the solvency capital of a foreign reinsurance company. However, the report said, it recognises that the introduction of RBC regime by the authority would involve a consultation process with the industry and hence, some amount of time will be required.

Source

Back

Survey & Reports

Under 10% of India's population is insured: Report – Mint – 7th October 2015

The mortality protection gap in the Asia-Pacific region widened to $58 trillion in 2014, compared with $42 trillion in 2010, said a study by Swiss Re, Asia Pacific 2015 Mortality Protection Gap. Mortality protection gap represents the difference between the insurance cover typically required by a family and the resources they have available should a wage-earner pass away suddenly. While the gap has increased slower in the past four years, it is still worryingly high and underlines the fragile nature of financial security for many families in the region.

India has a large mortality protection gap and despite recent rapid growth of insurance penetration, savings and insurance still meet less than 10% of the population's protection needs. Pure protection insurance and term products have sometimes been perceived as presenting poor value, and remain less popular.

Improved efforts by various stakeholders have helped rein in the rapid pace of increase in the gap. Prognosis for the coming years is less than sanguine. With government finances increasingly under pressure, it is doubtful that local governments in the region will be able to increase spends on social security.

In India, the inability to reach a wider range of customers is hampering efforts to close the gap. The digital revolution has affected value proposition of existing goods and services. Tapping into the digital space for insurance distribution represents both a challenge and an opportunity. In India as well as in many other emerging markets, one of the challenges of marketing to digital consumers is the need for multiple iterative testing and the ability to scale up rapidly.

Indeed, there are growing signs of governments passing the responsibility to individuals and companies. The expectation of a prolonged period of low interest rates also challenges the ability of households to accumulate savings to meet contingency needs. Business as usual is no longer an option for the Asian insurance industry. Progress has been made over the past few years, as evidenced in the stabilisation of the pace of protection gap widening in many regional markets, but this is not enough.

Studies have shown that consumers overestimate the cost of buying adequate life protection. Even under conditions of sufficient awareness and attractive prices, consumers may decline the opportunity to buy. While closing the gap will require close cooperation among all stakeholders, the large protection gap in this region also represents one of the biggest business opportunities for the insurance industry.

Source

Back

India's mortality protection gap at $92.2 per household: Study - The Financial Express – 6th October 2015

For every USD 100 needed for protection, only USD 7.8 of saving and insurance is in place for a typical Indian household, leaving a massive mortality protection gap of USD 92.2, says a study by Swiss Re. In India, the size of the mortality protection gap is significant at USD 8,555 billion in 2014, having grown by 11 per cent per annum between 2004 and 2014, reinsurance major Swiss Re said.

Mortality protection gap represents the difference between the cover typically required by a family and the resources they have available should a wage-earner pass away suddenly. The study says insurance has grown strongly in India but from a very low base and in 2014, India had life insurance penetration rate of 2.6 per cent of gross domestic product.

It further showed that the sum insured per working person with dependents in India was still low at USD 2,101 in 2014 (about Rs 1.3 lakh). India ranked ninth with respect to per capita sum insured in 2014, among 13 Asia-Pacific markets examined, the study said.

It further noted that the increase of foreign investment limit in Indian insurers to 49 per cent from 26 per cent in 2015 presents more opportunities for insurers to help close this gap. The Swiss Re Group is a leading provider of reinsurance, insurance and other insurance-based forms of risk transfer.

Source

Back

Women insurance market in India estimated to be Rs 1.4-2.3 lakh crore by 2030: AXA - The Times of India – 6th October 2015

The annual women's insurance market in India will be of the order of Rs 1.4-2.3 lakh crore by 2030, according to the India chapter of a global research by AXA. This is about 2 to 4 times the estimated premium of Rs 65,500 crore spent by women in 2013.

The report called 'SheforShield: Insure Women to Better Protect All' has been done in partnership with IFC and Accenture. The report by the leader in insurance and asset management analyses the business opportunity the women's market represents for insurers, identifying growth drivers and highlighting women's evolving and growing protection needs in order to ensure the industry develops the most relevant value-added propositions for this segment. It finds that the insurance industry has largely overlooked women as a key customer segment - despite significant growth potential in the market.

According to Nagina Singh, chief HR officer, Bharti AXA Life Insurance, "With growing incomes, women in India are gradually becoming important decision makers and contributors to socio-economic developments. Data from Bharti AXA Life Insurance shows that the average premium per policy sold by female agents can be up to 50% higher than those sold by men agents. There is a strong need for increasing the number of women in the salesforce, which is beginning to be recognized by the industry. At Bharti AXA Life, our women salesforce numbers are already looking encouraging with about 19% of the frontline sales employees being women."

Source

Back

Millennials buy insurance for family covers - Business Standard – 7th October 2015

Indian millennials (25-35 years) are a high spending group who spend almost 69 per cent of their income every month. According to an ICICI Lombard General Insurance survey, 50% of the income is spent on family and household items followed by EMIs and premiums. But they spend only 5% of their monthly income on health and medical expenses.

Source

Back

India: Many see life insurance as a saving channel - Asia Insurance Review

The primary reason people invest in life insurance is to use it as a savings instrument, according to a consumer insights survey conducted by Canara HSBC Oriental Bank of Commerce Life Insurance and Federation of Indian Chambers of Commerce & Industry (FICCI).

Seventy five percent of the survey respondents marked “Saving for future needs like child’s marriage, education, etc,” as the primary reason for investing in life insurance, reported The Hindu newspaper.

This reveals a lack of awareness of life insurance, said Mr A Didar Singh, Secretary General FICCI. “There is no other instrument that gives such long-term savings opportunities as life insurance. However, people need to understand that life insurance is also about protection. Even people who have bought it see it as a savings instrument and not as protection against accidents,” he said.

In addition, the survey found that most policyholders did not know what they had bought. Nearly 70% of the respondents did not know what benefits they were due from their policy on its maturity and nearly 60% did not know the benefits due in the event of sudden death.

The survey report, titled “Life Insurance: A Consumers’ Perspective”, says that 81% of respondents have an operational bank account within 3 km of their residence or office. The survey polled over 5,000 people in 30 cities.

As less than 10% of Indians have life insurance cover, the way forward to increase life insurance penetration is through bancassurance, said Mr Anuj Mathur, CEO of Canara HSBC Oriental Bank of Commerce Life Insurance.

“We should ensure that whoever has a bank account has insurance coverage. Bancassurance is an important channel through which insurance cover can be increased. Banks are accessible to almost the entire population, and there is a level of trust that enables the selling of insurance,” Mr Mathur said at the release on Wednesday of the survey report.

Source

Back

Survey & Reports

Source

IRDAI posted report of the Reinsurance Committee - Branch Office of Foreign Reinsurers and Insurers/Reinsurers Offices in IFSC.

Global News

Indonesia: Regulator proposes pool to cover forest fire losses – Asia Insurance Review

The Financial Services Authority (OJK) has proposed a fire insurance pool to help the government mitigate risks arising from forest and land fires.

OJK Deputy Commissioner for non-bank financial institutions, Mr Dumoly F Pardede, said that the insurance would pay claims to companies affected by the frequent forest and land fires, Bisnis Indonesia reported yesterday.

"We have conveyed this idea to the Ministry of Politics, Law and Human Rights. If the government asks, we will be ready to design the product," Mr Dumoly said.

Companies that can join the consortium are those engaged in forest concessions, fishery, plantations, and related businesses in Sumatra and Kalimantan.

Participants are to pay premiums over a period of time to the pool whose funds could be used immediately to deal with forest-fire-related problems.

In 2014, the forest fires in Sumatra and Kalimantan cost the state a loss of more than IDR20 trillion (US$1.38 billion), government officials said. This year, Sumatra and Kalimantan have been experiencing forest fires as well, resulting in thick haze that engulfs neighbouring Singapore and Malaysia for days.

Source

Back

Bangladesh: Insurance regulator acts to curb money laundering - Asia Insurance Review

Bangladesh's insurance regulator has initiated moves to plug possible money laundering and terror financing routes through insurance firms, particularly through their international reinsurance business.

The Insurance Development and Regulatory Authority (IDRA) held a meeting on the subject with the top brass of 31 life insurance companies last Sunday, reported the Financial Express.

As a safeguard, the introduction of a uniform KYC (know your client) procedure is being planned to identify and maintain genuine clients. In addition, an innovative proposal for introducing a new position — chief anti-money laundering compliance officer — in insurance organisations was mooted at the meeting.

IDRA Chairman, Mr Shefaque Ahmed, told the life insurers: "You should evaluate the KYC and in case of any suspicious transaction, inform us and the financial intelligence unit of the Bangladesh Bank immediately."

IDRA officials met the chiefs of non-life insurers too ahead of an anti-money laundering review by the Asia Pacific Group which is an affiliate body of the Financial Action Task Force (FATF) and mainly maintains the role of observer in the Asia and Pacific region. FATF is an inter-governmental body established in 1989 to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

Source

Back

Microinsurance: Coverage in Asia & Oceania is 4.33% - Asia Insurance Review

In Asia and Oceania, microinsurance covers 4.33% of the population, the lowest compared to Africa and Latin America and the Caribbean, according to an interactive map titled "World Map of Microinsurance" launched on 30 September.

The new dynamic platform providing key global data on microinsurance was launched by the Microinsurance Network and Munich Re Foundation. It enables insurers and microinsurance practitioners to gain a birds-eye view on the landscape of microinsurance worldwide, and to search and extract sector-specific data by region to obtain insights into trends in microinsurance, fostering better decision-making at an operational and policy level.

At a glance, the map shows that in Latin America and the Caribbean, microinsurance products cover 7.89% of the population, almost double the 4.44% in Africa and 4.33% in Asian/Oceanic regions. However, in terms of absolute numbers, the lives insured in Asia/Oceania total 170.4 million compared to 48.6 million in Latin

America and the Caribbean and 44.4 million lives in Africa. The most widely insured products are life and accident across the regions.

In Asia, the Philippines has the highest microInsurance coverage of 21.4% of the population, followed by Thailand (14.0%); India (9.2%); Bangladesh (6.2%); Malaysia (3.8% and Pakistan (3.1%). The other countries in the region had less than 3% coverage with most with nil coverage.

The combined number of lives covered by microInsurance in these six Asian countries is 156.2 million lives. MicroInsurance coverage in China is 0.89%, with 11.85 million lives covered. These seven nations account for 99% of the total number of lives covered in the region.

Source

Although the coverage rate in the Philippines is the highest, the most number of lives covered by microInsurance is in India with 111 million. In comparison, 20 million lives are covered in the Philippines. The data are based on 2012 figures.