# Insurance Institute of India

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# Weekly e-Newsletter

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INSIDE THIS ISSUE:



## IRDA Regulations

### *Irda chief to discuss taxation issues with Chidambaram - Financial Chronicle*

IRDA Chairman J Hari Narayan will meet Finance Minister P Chidambaram on Wednesday to resolve various taxation issues and speed up the growth of the sector.

"There are a list of issues, which will be further discussed in another meeting with the Finance Minister on Wednesday, like income tax, service tax. We believe that certain tax measures will be helpful for the growth of the industry," he told reporters on the sidelines of an Assocham event here.

Government is trying to revive investor interest in financial instruments to curb demand for gold. Earlier this month, Financial Services Secretary D K Mittal also met the Chairman of the Insurance Regulatory and Development Authority (IRDA) to discuss revival measures for the industry.

While the meeting had discussed the possibility of relaxing norms for insurance companies to attract more funds for the infrastructure sector, sources said that the industry has been pressing for reduction of service tax on insurance premium.

Life insurance products are gradually becoming less attractive to investors and stringent regulatory norms are acting as deterrent for marketing of such products. The government wants to promote insurance and other financial products to curb gold imports which has been putting pressure on the current account deficit (CAD).

**Source –**
***http://wrd.mydigitalfc.com/news/irda-chief-discuss-taxation-issues-chidambaram-844***

### *Irda wants insurers to do away with 'tied agents' - Deccan Herald*

The Insurance Regulatory & Development Authority (Irda), on Monday, asked insurance companies to do away with the concept of 'tied agents system' so that agents can sell policies of any insurer and also embrace technology for faster distribution of products.

Tied agents sell products of a single company. Irda Chairman J Hari Narayan also urged the industry players to reduce the high levels of agent attrition rate in the country and this cannot be done by increasing the commission alone as there is need to strike a balance.

The insurance regulator chastised private insurers for indulging in front-loading enormous management cost, which they should cut in the interest of customers and also must follow the regulation on agent commission.

Inaugurating the two-day 'Global Insurance Summit: Finding the god particle in the insurance industry' organised by the Associated Chambers of Commerce & Industry of India, Narayan said the industry must try to retain agents to achieve its growth targets.

Further, he asked insurance companies to revisit their product delivery process and cut their high onboarding cost, so that they can regain the confidence of customers. Narayan even asked insurers to learn from the banking industry as to how they attracted customers since the opening of the banking sector to private players. "Today a brick and mortar model is getting redundant and you must do what the private banks did to get customer satisfaction," he added.

He said a proposal for lead insurer has been mooted to enable the industry to meet its obligations of reaching out to the rural population.

Furthermore, Narayan said Irda would welcome increase in foreign direct investment (FDI) cap in insurance to enhance growth of the sector. While advocating the need, he said that FDI in insurance would enable the companies to grow and infuse more capital in the business as most of the insurance companies are going through capital crunch. "Insurance, like many other sectors in India, requires greater levels of investment, and in that regard, we would welcome steps to increase FDI in the insurance industry," he added.

Referring to the meeting of select top insurance companies with the Finance Minister on September 4, where measures to underpin and strengthen the growth of the insurance sector were suggested, and the meeting on Wednesday, is in furtherance to that as they would be sitting down to examine all measures, most of which, are related to income tax, service tax and so on, the Irda chief informed. Dwelling on the guidelines of life insurance products, Narayan said, "Draft guidelines on life insurance products will be sent to the life council for discussion within 2-3 weeks time."

**Source –**
***http://www.deccanherald.com/content/280837/irda-wants-insurers-do-away.html***

# Insurance Industry

## *Insurance sector growth this year to be encouraging: Irda* - Business Standard

Insurance Regulatory and Development Authority (Irda) Chairman J Hari Narayan on Thursday said overall growth in the insurance business this financial year would be "encouraging". In 2011-12, the insurance segment had contracted two per cent.

In the April-July period, the sector grew 17 per cent, compared to the year-ago period. However, growth for the entire financial year might not be at such high levels, he said.

"One should look at life insurance as one of the various instruments of savings. If savings are constrained, either because of inflation or because of other methods, insurance would obviously suffer," he told reporters, adding amendments to the Income Tax Act would have a negative impact on insurance.

On the finance ministry's focus on accelerating growth in the insurance sector, Narayan said the ministry had constituted industry panels nine months earlier and these had suggested various steps in this regard. Early this month, Finance Minister P Chidambaram had met members of these panels. Narayan said another such meeting would be held.

Striking a balance between the interests of policyholders and those of insurance companies was what Irda was striving for, he said. However, currently, insurance companies felt the regulator favoured policyholders, he added.

On increasing the investment exposure cap from 10 per cent, he said in terms of feasibility, this was beyond the regulator's preview of the Insurance Act. He added it was possible to enhance the exposure limit only if suitable amendments were made in the Act. Stability and prudence were vital he said, adding in pension and insurance funds, large equity exposure was fundamentally flawed and risky.

**Source –**
***http://www.business-standard.com/india/news/insurance-sector-growth-this-year-to-be-encouraging-irda-/487136/***

## *Reforms in life insurance next on govt agenda* – Business Standard

After a slew of foreign direct investment reforms and measures to revive market sentiments in the last two weeks, the government will now come up with a booster dose for the life insurance sector. Finance ministry officials had intense deliberations with the Insurance Regulatory Development Authority (Irda) in the last two weeks. Finance Minister P Chidambaram is likely to meet the insurance regulator on September 26 to reach some finality.

The proposals on the table vary from small procedural issues to raising foreign direct investment (FDI) in the insurance sector to 49%. Relaxing investment norms for insurance companies is top on the agenda to release more funds for infrastructure sector. Taxation of life insurance policies, revival of unit linked insurance products (Ulips), faster regulatory approval for new products, tax on pension products, open architecture on bancassurance and relaxed licensing norms are some of the other issues being considered by the finance ministry.

"There are issues related to product approval, policy, procedures. All that will be looked into. We are talking to Irda. The finance minister will also meet the regulator," said a finance ministry official.

Today life insurance sector is second only to banks for mobilising savings. It has an investment corpus of roughly Rs 13 lakh crore, but less than one-sixth of it goes to the infrastructure sector.

The government wants to direct some of the insurance funds for development of infrastructure, which needs about $1 trillion in the next five years. Irda guidelines, however, allow insurance companies to invest up to 50% in government securities, 15% in infrastructure bonds, and 35% in corporate bonds and equities. Moreover, they can invest only in highest rated 'AAA' or 'AA' bonds. There is also a cap of 20% for investing in equity and debt instruments of one company in the infrastructure sector. An additional 5% can be invested with board approval.

The insurance companies want Irda to improve commissions for Ulips, which accounted for about 70% sales in 2008-09, but their share in new business premium fell to 15% in 2011-12 due to regulatory changes and volatile stock markets. Revival of Ulips may form part of the finance minister's broader strategy to boost stock markets and prepare ground for disinvestment of PSUs.

The finance minister has already cleared a proposal to increase the foreign direct investment limit in the sector from 26% to 49%. Though a proposal on allowing higher FDI in insurance is not likely to be put up before the Cabinet in its upcoming meeting, the finance ministry has sought approval of the law ministry on amendment to the Insurance Bill and may make take it to the Cabinet soon.

Human resource development minister Kapil Sibal had conceded that the government does not have majority in the Rajya Sabha and hence it would have to take help of others to get legislative bills passed. He said the government will persuade the opposition to support reform bills.

Insurance companies are also asking for providing flexibility in minimum assured returns with regard to certain policies. They have also proposed that pension products sold by insurance companies should also be given the same treatment as the New Pension System. Another issue raised by the companies is that the insurance regulator takes more than six months to approve a product thus delaying its launch.

On September 4, Chidambaram had met top executives of life insurance companies to discuss issues and the sector and ways to improve insurance penetration in the country. The meeting came within a month after he announced that the government would take steps to attract more people to invest in mutual funds, insurance policies and other well-designed instruments.

Life insurance penetration in the country is just about five%. In the last two years, the industry saw a severe slowdown, with policy issuances falling eight% in 2011-12. First-year premium collections fell nine% to Rs 1,14,233 crore. In the April-July period this year, the sector recorded 16% jump in new business collection at Rs 31,180 crore but the growth was mainly driven by 23% rise in sale of new policies by state-run LIC, while private insurers grew at 0.1%.

**Source –**
***http://www.business-standard.com/india/news/reforms-in-life-insurance-nextgovt-agenda/188041/on***

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***Govt to let banks, insurance cos invest in IDFs***
**The Financial Express**

The Centre along with financial sector regulators is set to pave the way for banks, pension fund and insurance firms to invest in infrastructure debt funds (IDFs). Changes will be made in the laws and rules for these investors to subscribe to IDFs, designed to play a crucial role in bridging the deficit in infrastructure financing.

According to sources, the finance ministry is discussing with the RBI, Sebi and Irda the changes needed to enable banks, pension funds and insurance firms invest in IDFs. The IDF mutual funds will be listed on Indian bourses.

"Since units of IDFs are to be listed on stock exchanges, investment by banks in IDF-MF may be treated at par with listed securities of banks' non-SLR portfolio for the purpose of compliance with the prudential limits, even though the underlying portfolio of IDF MFs may be composed of both unlisted and listed securities of infrastructure companies," an official said.

The IDBI and ICICI have already announced plans for IDFs, and many more players such as Srei Infrastructure are awaiting clarity in rules before floating such funds.

It is estimated that the country needs investments close to $1 trillion in the 12th Plan Period (2012-17) in infrastructure sectors. With the cash-strapped government struggling to narrow its fiscal deficit, half of the investment has to come from private sector.

Though government has announced the broad contours of setting up IDFs — either through mutual fund or non-banking finance company – sources said the current rules do not clearly say whether investment in the proposed funds should be akin to investing in infrastructure.

In a recent meeting with the economic affairs secretary Arvind Mayaram, industry bodies such as the FICCI had pointed out that investment norms for banks, pension funds, non-government provident funds and insurance companies have to be tweaked to treat IDF MF units on par with listed securities.
Some enabling amendments would be required in the existing RBI regulations as laid down in the June 2011 circular, allowing banks to invest in IDF MFs, sources said.

Industry bodies also wanted investment by banks in IDFs to be considered as part of the priority sector lending for banks. "After all, IDF MFs will be investing in long term debt instruments of various infrastructure companies and hence the underlying portfolio is more akin to long term lending and not equity investments," said an official. However, the RBI has to take a call on these proposals, he added. In case of exempted or non-government provident and gratuity and super-annuation funds, the IDF MF units can be incorporated as part of the debt securities, the official said.

The present rules allow provident funds to invest up to 55% of the corpus in government securities (both centre and states) and up to 40% in debt securities mainly issued by PSUs.

**Source –**
***http://www.financialexpress.com/news/govt-to-let-banks-insurance-cos-invest-in-idfs/1007429/0***

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***Long-term investments up to 50k in insurance may get tax break*** **- The Economic Times (Mumbai edition)**

The government is mulling over tax sops for long-term investments of up to . 50,000 in insurance, two persons with knowledge of the development told ET. The finance ministry has circulated a note seeking comments on creating a special window for investments up to . 50,000 with premium-paying terms of 15-20 years, they said.

People with knowledge of the matter said the tax break proposal may be taken up for discussion on Wednesday when Finance Minister P Chidambaram meets the sector regulator to firm up proposals for the ailing insurance industry. Ahead of the meeting, Insurance Regulatory and Development Authority (Irda) chairman J Hari Narayan said tax measures would benefit the industry. "There is a list of issues that will be further discussed in another meeting with the finance minister on Wednesday, such as income tax and service tax," Narayan said. If the tax proposal goes through, the sector will see longterm capital flows. The industry has been pressing for allowing deduction under section 80C of the Income Tax Act, 1961, on policies with terms of 10 years or more, besides a separate deduction limit of . 1 lakh for life insurance policies excluding pension policies. Executives of large insurance companies said that while the government may not bring bigticket reforms, it would take steps to lift the mood of the industry.

The proposals to increase foreign direct investment and increase the limit on equity exposure to a single company are also unlikely to be accepted in a hurry. "Change in equity exposure to single company can happen only after the amendment of the Insurance Act," the Irda chief said. "We are asking for a separate window because investments under section 80C include expenditures like tuition fees, mutual funds, bank deposits, with the share of investments in insurance, which is long term, falling to a large extent," said a senior executive of a large insurance company. In a letter to the ministry, the industry has said that there is little incentive for investors to park money in longterm products, as the overall limit of. 1 lakh covers savings of longterm and short-term investments without any sectoral cap, and investors prefer short-term products.

**Source –**
***http://epaper.timesofindia.com/Default/Scripting/ArticleWin.asp?From=Archive&Source=Page&Skin=ETNEW&BaseHref=ETM/2012/09/26&PageLabel=11&EntityId=Ar01101&ViewMode=HTML***

# Life Insurance

## *IRDA's draft proposal for insurance cover to BPL families* – The Economic Times

Regulator IRDA has come with a draft proposal to expand the reach of insurance cover to Below Poverty Line (BPL) families in the next five years.

"The target group shall be the BPL population... Each insurer shall prescribe the target in proportion to their market share. IRDA shall prescribe annual target so as to cover entire BPL population in the next five years, "Insurance (IRDA) said in its draft. The standard insurance product would be in addition to the government schemes, which provide insurance cover at concessional rates. "This product would facilitate supplementing or topping up of any existing social security benefit and would not overlap with such benefits," it added. IRDA said a lead life insurer should tie up with a non-life insurer or vice-versa for the benefit of the people.

These standard products should include minimum sum assured of Rs 40,000 for life term cover and up to Rs 2,00,000. The products may be extended to the family members and the period of cover shall be between 5 years and 25 years.

During the years 2012-18, all the insurers shall fulfill at least 50 per cent of the target group through the standard product sales and the remaining 50 per cent may be fulfilled by any other approved rural and social sector products, it said.

The policy conditions and prospectus should be clear, simple and transparent language should be used without vague and ambiguous statements considering the target market, it added. In its 'Composite Package of Standard Insurance Product for Rural and Social Sector' IRDA said weaker sections should be provided cover to meet the exigencies cast by natural catastrophes, accidental death, protection means for the family as well as to promote some savings to bolster their financial security.

The IRDA said it has made the standard product more flexible and simple and aims to provide comprehensive package of insurance covers to these sections. It further said "the product will have defined options and levels to provide choice and flexibility to customers in order to cater to individual circumstances". It has also invited stakeholders comment on the exposure draft within 30 days.

**Source –**
***http://articles.economictimes.indiatimes.com/2012-09-23/news/34040677_1_bpl-families-regulator-irda-bpl-population***

# General Insurance

## *Foreign banks threaten to close accounts over Iran cargo insurance cover* - The Economic Times

State-run general insurers say severalforeign banks have threatened to close their accounts as they aim to provide cover to Indian ships ferrying oil from Iran.

While these insurers say they have insured the ships on the directions of the government, the foreign banks see the move as a violation of economic sanctions imposed on Iran.

Seeking the government's intervention, the insurers say deactivation of their accounts will hurt their foreign operations as banks in many countries also act as brokers.

"Why should we be penalised," asked an executive director with a state-run general insurer. "We are only following government directives," he said, adding that if the banks take unilateral action, the Indian government should not allow them to operate in the country.

Some of the foreign banks have shared their concerns with insurers on what they perceive as violation of the sanctions, said a senior executive with General Insurance Corporation (GIC), a government-owned reinsurer.

Among these banks is HSBC, which has given a 30-day notice to close New India Assurance's Dubai account. AR Sekar, its officiating CMD, confirmed the development but refused to elaborate, saying, "We are in discussion with the concerned parties." An email sent to HSBCBSE 0.24 % Dubai did not elicit any response till the filing of this story.

Earlier this year, the finance ministry had allowed domestic general insurers to provide insurance and re-insurance protection to Indian ships transporting crude from Iran to India.

In its directive, the ministry had said that GIC can seek re-insurance from re-insurers operating in other countries, which are importing oil from Iran and offering similar protection to their ships.

The directive came after European insurance firms stopped providing cover to Indian cargos from July because of the Western sanctions on Iran.

"Have these banks stopped dealing with Japanese, Chinese or South Korean firms, which have transactions with Iran?" an executive director with a state-run general insurer said. "Why double standards with Indian insurers?," he said.

Japan has offered its shippers cover of $7.6 billion per tanker through government-backed insurance. A finance ministry official said that the government only recognizes sanctions imposed by the United Nationsand the question of revoking its directive does not arise.

"The oil ministry is still considering a sovereign guarantee request," the official said. "It is a business decision of foreign banks," he added. The cost of providing insurance cover for hull and machinery, besides indemnity insurance works out to $200 million. India is among seven countries that secured a waiver from the US sanctions after they significantly reduced oil imports from Iran.

**Source –**
***http://economictimes.indiatimes.com/news/news-by-industry/energy/oil-gas/foreign-banks-including-hsbc-threaten-to-close-accounts-over-iran-cargo-insurance-cover/articleshow/16564155.cms***

# Pensions

***Pension products must have annuity for approval* - The Hindu Business Line**

J Hari Narayan hit out at companies filing for approval of pension products that do not have the pension element in it. Addressing reporters at an insurance summit organised by Assocham, he said: "Products which have been called pension products and filed for approval are not pension products. They may call it such but it is not. It's much like a mutual fund product in which you make a periodic investment and anytime can pull it back... Hence, it will not be approved."

"If it's a proper pension product, it leads into an annuity and if there is any withdrawal during the tenure of the products, certain proportion can be commuted in cash but the balance must be rendered again into an annuity...Such products are cleared but those which have no pension element in it will not be approved," he said.

The IRDA says product approvals are not being unduly delayed. "The median time for clearance is 72 days for life insurance products and that is at par for financial product clearance as far as global experience.

"And the issue is not how fast your products are cleared but how good the products are." He mentioned that the attrition rate of agents is very high and companies must take corrective steps. "There are 7 lakh agents supplied annually to the industry while the problem is that the termination of the agents by companies is more than 7 lakh...this needs to be addressed," Hari Narayan said. According to him, companies must draw from the other industries and countries. Merely increasing commission is not the solution as that could affect customers' profitability. "There has to be a balance...maybe more motivation is required and greater care for the psychological measures while hiring the agent.".

On the idea of Mutual Funds trying to sell products having an insurance element, he informed that the regulator will try bundling and tying up insurance and non-insurance products for which appropriate guidelines will be announced shortly.

**Source -**
***http://www.thehindubusinessline.com/industry-and-economy/banking/article3932347.ece***

# Survey & reports

***Many chartered brokers in danger of FSA fine, reveals report***

One-third of chartered brokers are in danger of being fined by the Financial Services Authority (FSA) as a result of having no clear FSA statements or links to statements on their website, a new survey has revealed.

The review of UK chartered broker websites was commissioned by AXA Commercial Lines and Personal Intermediary, and also found that one in 10 brokers had the FSA logo on their home page, contravening its licensed use which does not extend to websites.

The study found that brokers were doing themselves a big injustice by failing to promote their services adequately, with some falling foul of the FSA guidelines. It also revealed that a significant proportion of chartered broker websites have overlooked the basics.

The report revealed that 38% of brokers did not even mention their chartered status online, while 22% did not have any contact details on their home page.

Despite evidence of a number having spent money on search engine optimisation, many are essentially invisible, the review found.

AXA Commercial Lines and Personal Intermediary head of broker development Ken Wright said: "We undertook a review of the UK's chartered broker websites to identify some common problems and issues and ways in which we could help. We'll take our findings to work with brokers and help them easily implement to help improve their desirability and visibility to customers.

"The majority of brokers are doing a good job, and there's evidence that some understand the benefits of website optimisation to stay one step ahead of the competition. However, there's always room for improvement, and by producing a checklist, brokers can ensure they are doing all they can to help market themselves."

On the flipside, the survey found brokers were beginning to embrace the power of social media to contact customers. Almost one-third (31%) were promoting social media accounts on their websites, with Twitter (72%) the most popular outlet. LinkedIn (48%) and Facebook (45%) were close behind.

**Source –**
***http://www.insurancetimes.co.uk/many-chartered-brokers-in-danger-of-fsa-fine-reveals-report/1398809.article***

***Insurers face increased technology data risks, says report***

Main issues include data security, ownership, sharing and privacy. The increased wealth of data from new technologies such as telematics and fraud detection has given rise to operational and legal risks for insurers, a new study has revealed.
The Technology and its role in liability insurance report, which was published today by law firm DAC Beachcroft, said that higher volumes of data have created significant challenges in respect of data security, ownership, sharing and privacy.

The report found that some insurers' processes and analytics may not be sufficiently sophisticated to draw useful conclusions from the data.

DAC Beachcroft head of strategic litigation Andrew Parker said: "This is unchartered territory for insurers – they have never had access to such a wealth of data and many are not yet ready. There is a real concern that insurers won't have the analytics to gather useful conclusions."

New technologies like telematics, fraud detection systems and analytics have become increasingly popular with insurers in recent years, as they look to control the rising cost of liability claims and find a competitive advantage in today's insurance market, the study said.

The report said that in the medium-term, the main advantage would be in speeding up the claims process and fighting fraud. In the longer-term, it said, new technologies could help insurers influence customer behaviour and build on their traditional role as partners in managing risks.

The report identifies telematics as one of the most promising aspects of technology for encouraging safer driving. While targeted at helping young drivers, it is expected to promote better driving among the rest of the population as the technology becomes more widespread.

"There is a hope that telematics could result in better driving, fewer accidents and claims," said the Association of British Insurers' (ABI) policy adviser Ben Gaukrodger, who was one of those who took part in the research. "Drivers will be forced to think harder about their driving and feedback, and incentives from insurers will encourage them to improve."

Technology is also helping companies to improve workplace safety and therefore reduce their exposure to claims, the report found. Some risk managers are using technology solutions to help identify exposures, centralise risk management processes and evidence, and report claims efficiently, it concluded.

DAC Beachcroft partner Tom Baker said that greater use of technology could be made to promote better health and safety.

"Insurers and risk managers can promote health and safety through mobile devices and apps," he said. "This is happening to some extent but technology could be better used to educate employees and the public, reminding them of the rules and best practices."

The participants included senior representatives from Zurich Insurance plc, the ABI, Gist Ltd, Direct Line Group, The Linde Group, Rivo and the Co-operative Insurance.

**Source –**
***http://www.insurancetimes.co.uk/insurers-face-increased-technology-data-risks-says-report/1398826.article***

# IRDA Circulars

The Insurance Regulatory and Development Authority of India (IRDA) has released an Exposure Draft vide its circular dated 21st September, 2012 on a standard product for rural and social sector for comments of the public and all the stakeholders. For details, please visit the official website of IRDA.

**Source -**
***http://www.irda.gov.in/ADMINCMS/cms/frmGeneral_Layout.aspx?page=PageNo1787***

The Insurance Regulatory and Development Authority of India (IRDA) has sent an Exposure Draft vide its circular dated 26th September, 2012 to Surveyors, Loss Assessors and Indian Institute of Surveyors and Loss Assessors (IIISLA) on a issues pertaining to the profession of surveyors and loss assessors and the institute (IIISLA) like suggesting methods to reorganize, strengthen and professionalize IIISLA by introducing sound Corporate governance standards, setting up structures to oversee the functioning of IIISLA, suggesting necessary changes in the MOA/ AOA in order to facilitate it, To suggest mechanism for placing fiduciary obligations on surveyors and loss assessors in discharge of the duties. For details, please visit the official website of IRDA.

**Source –**
***http://www.irda.gov.in/ADMINCMS/cms/frmGeneral_Layout.aspx?page=PageNo1790***

# Global News

## *Taiwan*

### *Taiwanese insurers constrained by market risks, says Fitch*

Persistently low interest rates and lacklustre stock market performance are likely to constrain Taiwanese insurers' investment yield, according to a new report by Fitch Ratings.

The report says this will undermine, in particular, life insurers' bottom-line profitability given their reliance on investment income for profits. Fitch Asia Pacific insurance team director Joyce Huang says: "Taiwanese life insurers remain exposed to significant market risk arising from their large foreign securities investments and notable domestic equity position.

"Losses are still possible and could impair their already moderate capitalisation, the primary factor underlying the negative outlook for this sector."

But Fitch says Taiwan's non-life insurers, on the other hand, face more manageable investment risks with much smaller foreign financial market investments and reasonable domestic equity exposures.

A strong capital buffer and satisfactory underwriting performance further support the stable outlook on the non-life insurance sector. New premiums with lower guaranteed rates continue to dilute the impact of legacy high guaranteed rate policies, due to Taiwanese life insurers' product innovation.

The increasing popularity of foreign currency-based policies, in Fitch's view, is particularly beneficial as it reduces the risk of currency mismatches between assets and liabilities. The funding costs of life insurers' insurance liabilities, however, have decreased at a rather slow pace with investment yield only hitting break-even at about 3.5% in 2009-2011.

External funding ability is essential to mitigate weak internal capital generation and potential large losses arising from capital market volatility. Life insurers' aggregate equity/assets ratio was only about 3.5% at end-H112.

Fitch considers that most major life insurers and those owned by large financial holding companies would have reasonable access to capital, if required.

**Source –**
***http://www.stockmarketwire.com/article/4450737/Taiwanese-insurers-constrained-by-market-risks-says-Fitch.html***

# Pakistan

### *Pakistan takaful industry opens to general insurers*

The Securities and Exchange Commission of Pakistan has issued revised takaful rules for 2012 allowing conventional insurance companies to open takaful window operations.

Takaful was started in Pakistan in 2005 when the SECP introduced Takaful Rules 2005 which stipulated that only fully fledged takaful companies could operate in this regard.

Five takaful companies came into being owing to the efforts of investors from Malaysia, Qatar, Kuwait, UAE, Saudi Arabia and Pakistan.

Three of the five companies are general, and two provide Shari'ah compliant life insurance. The new rules are expected to open the market significantly.

Muhammad Zubair Mughal, chief executive of the AlHuda Centre of Islamic Banking and Economics, has declared the Takaful Rules 2012 a good step as they promote the takaful industry rapidly at a national level.

People will have the opportunity to fulfill their insurance needs in a Shari'ah compliant manner, he added, because Pakistan citizens avoid insurance owing to elements of interest, gharar and gambling in insurance.

The Takaful Rules 2012 mean that more than 40 insurance companies can start takaful window operations by fulfilling SECP laws, and conventional insurance companies can be transformed into takaful companies.

**Source –**
***http://www.insuranceinsight.com/insurance-insight/news/2195087/pakistan-takaful-industry-opens-to-general-insurers***

# Australia

### *Insurance Council of Australia: Insurers are not over collecting on Victorian FSL obligations*

nsurers operating in Victoria are fulfilling their legal obligations in collecting the Fire Services Levy for the Victorian Government and deny they are over collecting.

The Insurance Council of Australia (ICA) has supported the Victorian Government's decision to implement the recommendations of the 2009 Victorian Bushfires Royal Commission and abolish insurer statutory contributions to the fire services, and replace them with a property charge from July 1, 2013. The ICA understands this was a bipartisan position.

However, insurance companies are still required to meet their statutory obligations to the fire services and must collect the required amount from their policyholders up to June 30, 2013. The ICA points out that the FSL collected in the 2012-2013 fiscal year funds the fire services for that year alone, and not for the 2013-14 fiscal year, which is when the new property-based charge will take over funding Victoria's fire brigades. Therefore, double-dipping is not taking place and consumers are not being taxed twice overall.

The amount insurers seek to recover from policyholders is designed to match their FSL obligations. However, how those obligations are collected is an individual commercial decision for insurers. Neither the Insurance Council nor the Victorian Government mandates the method or the amount to be collected from policyholders. Unlike GST or stamp duties, a policyholder's FSL is not a fixed statutory rate. The ICA has received assurances from its member companies that they will collect only the amount they estimate is required by the Victorian Government.

At present the fire services levy typically adds about 20 per cent to the base premium of the average Victorian metropolitan home and contents policy, and 35 per cent to regional household policies. Moving to a property-based charge is fairer and results in all property owners, rather than only those who purchase insurance, contributing to the fire services.

Policyholders can shop around for the best deal on all aspects of their insurance premium, including the FSL. With more than 90 licensed insurers in Australia, the market is highly competitive.

The ICA notes that Professor Allan Fels will serve as the independent Fire Service Levy Monitor to oversee the transition to the property-based levy. The industry supports the disclosure and transparency of information and looks forward to working with Prof. Fels and Victorian agencies during the FSL transition period.

**Source –**
***http://www.4-traders.com/news/Insurance-Council-of-Australia-Insurers-are-not-over-collecting-on-Victorian-FSL-obligations--15216348/'***