Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

"Reach high, for stars lie hidden in you. Dream deep, for every dream precedes the goal."

– Rabindranath Tagore

INSIDE THE ISSUE

Insurance Industry

Total premium of insurance industry may reach Rs 26 lakh crore by 2020 – Deccan Herald – 29th November, 2016

Total premium of the insurance industry in India (life and non-life combined) is projected to reach Rs 26 lakh crore by 2020, according to a report.

"The total premium of the overall insurance industry is projected to touch the Rs 26 lakh-crore mark (life and non-life combined).

This transition towards Vision 2020 has to be supported by an equally significant rise in the number of intermediaries involved in the distribution of insurance, mainly individual agents and corporate agencies (including banks)," Distribution Disrupted — a report by Confederation of Indian Industry (CII) and KPMG in India stated.

"We can expect the current gross direct premium of Rs 3,28,101 crore as reported in FY15 to touch Rs 1,700,000 crore by FY20. Out of this, Rs 1,700,000 crore, individual agents are expected to contribute Rs 5,95,000 crore while corporate agents are likely to contribute Rs 1,53,000 crore," the report added.

As per the report, GDP, untapped household savings and dormant/ quiescent HNI wealth in B-15 cities offer new business potential for financial services companies. According to industry experts and market analysts, the insurance industry in India will witness a record growth in terms of market size, penetration rates, new business income and similar growth statistics by 2020.

The report states that the mutual fund industry needs to expand at a rapid pace and distributor count has to increase significantly. "To achieve the expected assets under management growth rate, a three to five fold increase in number of distributors is a critical success factor since the industry is challenged with low active distributor base," the report stated.

Source

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Insurance Regulation

Irdai allows insurers to be part of JLF – Business Standard -1st December, 2016

The Insurance Regulatory and Development Authority of India (Irdai) has allowed insurers to be part of the Joint Lenders' Forum (JLF), formed under Reserve Bank of India (RBI) guidelines for loan accounts that could turn non-performing assets (NPAs).

"Through this mechanism, insurers may take need-based exposure with the prior approval of the insurer's board which may be in excess of exposures permitted under extant Irdai Investment Regulations," said the circular that has been sent to insurers.

However, officials said that except large insurers such as the Life Insurance Corporation of India (LIC), other insurersmight not be an active member in the JLF. RBI had framed new rules to enable commercial banks to form JLFs to detect stress early and provide support to troubled companies.

Banks had been told that as soon as an account is reported by any of the lenders to the Central Repository of Information on Large Credits as 'special mention account 2', they should mandatorily form a JLF if the aggregate exposure of lenders in that account is Rs 100 crore and above.

Now that Irdai has allowed insurers to also be a part of this process, it is expected that they would also play a big role in reducing the stressed accounts. The JLF can explore various options to resolve the stress in the account. The intention is not to encourage a particular resolution option — restructuring or recovery — but to arrive at an early solution to preserve the economic value of the underlying assets as well as the lenders' loans.

Source

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General Insurance

Full steam ahead for rail travel insurance? – Business Standard – 24th November, 2016

After the Indore-Patna Express mishap, which claimed 145 lives, the railways ministry is examining a proposal to make passenger insurance mandatory.

Indian Railway Catering and Tourism Corporation (IRCTC) has approached the government with the proposal. The passenger insurance scheme was introduced by the railways on September 1. An estimated 15-20 million had opted for the scheme in these 85 days. This compares to 3.2 mn log-ins a day on the website and up to 700,000 bookings a day. Sources say only about 30 per cent of all tickets booked online opt for travel cover, though the premium of 92 paise for a passenger is one of the lowest in the world.

Of the 695 passengers involved in the recent mishap, 410 tickets were booked through the IRCTC website; of these, 128 passengers or 31 per cent opted for travel insurance. "We are thinking about making this mandatory, so that more people benefit from the scheme. On the recent accident, we will ensure the money is distributed to insurance holders with relevant documents within a week,"said A K Manocha, chairman and managing director of IRCTC.

The three companies providing passenger insurance are Shriram General Insurance, ICICI Lombard and Royal Sundaram General Insurance. "Based on the final list of 48 given to our company, we found two lost their lives and two got injured; eight are not traceable. We are getting in touch with all those people," said Dipankar Acharya, country head, affinity and strategic relationships, Royal Sundaram.
Adding: "It is a learning curve for the companies and the passengers. I hope, with time, the number of customers will increase."

Royal Sundaram has also given a proposal through which travellers can get a cover for their baggage, electronic items and other valuables. The scheme would cover robbery and dacoity.

Source

In the current scheme, in the case of death or permanent disability of a traveller, Rs 10 lakh is provided. For permanent partial disability, the coverage extends to Rs 7.5 lakh; for hospital expenses, up to Rs 2 lakh. In addition, Rs 10,000 for transportation of mortal remains.

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Agriculture insurance must move to individual farmer-based schemes: Irdai's PJ Joseph – The Financial Express – 25th November, 2016

There is need to free up agriculture insurance and move to an individual farmer-based schemes from the current homogenised area-based approach, said PJ Joseph, member, non-life, at Irdai.

The experience of individual farmers in schemes has not been satisfactory. A lot of uptake in agriculture insurance has come from farmers availing of credit as it was mandatory, but other farmers not are not buying insurance and are getting left out of the insurance net, Joseph said.

To make the scheme more efficient, Joseph suggested eventually moving to individual farmer-based schemes and a more credible system to asses loss. "We will have to move to individual farmer-based schemes from the homogenized area-based approach to insurance," Joseph said.

Source

Currently, individual crop loss assessment is not done, which ends up frustrating affected farmers as the sampling method does not adequately represent field-level situation.

With the Pradhan Mantri Fasal Bima Yojana, there was a move to actuarial-based premium regime, but claims management still remains with the state, Joseph pointed out.

3.26 crore farmers enroll for crop insurance in 2016 kharif season – The Economic Times – 29 November, 2016

About 326 lakh farmers have been covered under the new crop insurance scheme for a sum insured of Rs 1.37 lakh crore during the 2016 kharif sowing season, government said today.

"As per tentative data available, during kharif 2016 about 326 lakh farmers have been insured covering an area of 380 lakh hectare for sum insured of Rs 1,37,535 crore as compared to 309 lakh farmers during kharif 2015 season covering an area of 339 lakh hectare for sum insured of Rs 69,307 crore," Agriculture Minister Radha Mohan Singh said in Lok Sabha.

He said there is an increase of about 5.5 per cent in farmers covered, 12 per cent in the area covered and about 100 per cent in the sum insured during first season of implementation of Pradhan Mantri Fasal Bima Yojana (PMFBY) and Restructured Weather Based Crop Insurance Scheme (WBCIS) itself as compared to the kharif 2015 season.

Singh further said, the government aims to enhance the area under PMFBY and WBCIS up to 50 per cnet of the gross cropped area within next 2-3 years.

Source

"...During 2016-17, a budget provision of Rs 5,501.15 crore was made for implementation of PMFBY/WBCIS and meeting the liabilities under erstwhile schemes.

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Non-life insurance total premium jumped 47 percent in October – The Hindu Business Line – 30th November, 2016

The total premium of non-life insurance companies saw an increase of 47 per cent at Rs.11,835 crore in October, compared with the Rs.8,029 crore posted in October 2015, according to the data provided by the insurance regulator. However, October premium was lower than the September figure of Rs. 14,950 crore.

Break-up

Of the total premium underwritten by non-life insurance companies during October, public sector insurers collected Rs. 7,241 crore, while private players secured about Rs. 4,594 crore, according to Insurance Regulatory and Development Authority of India (IRDAI).

Among the four public sector companies, New India Assurance topped the table with premium of Rs. 2,103 crore, a growth of 80 per cent over October 2015 premium of Rs. 1,166 crore.

United India Insurance posted an increase of 81 per cent at Rs. 1,763 crore. National Insurance's premium grew 69 per cent at Rs. 1,720 crore, while Oriental Insurance clocked Rs. 1,103 crore, an increase of 64 per cent.
In the private insurer segment, ICICI Lombard reported underwritten premium of Rs. 866 crore as against Rs. 744 crore in October 2015. Bajaj Allianz's premium stood at Rs. 517 crore, up 5.94 per cent from Rs. 488 crore in October 2015.

Tata-AIG's premium zoomed to Rs. 500 crore (Rs. 235 crore). IFFCO-Tokio and HDFC Ergo General registered premium of Rs. 375 crore (Rs. 282 crore) and Rs. 349 crore (Rs. 293 crore), respectively.

Health insurance

Combined premium of five standalone health insurers grew 29 per cent at Rs. 392 crore, compared with Rs.304 crore in October 2016.

Source

During the April-October 2016 period, the total non-life insurance premium collected by private and public insurers grew 32 per cent at Rs. 72,608 crore.

Back

Life Insurance

Life insurance policy holders get 30 days more to pay premium – Deccan Herald – 27th November, 2016

Extending a helping hand to people facing cash crunch, regulator Irdai has asked life insurance companies to provide an additional window of 30 days to policy holders for paying premium.

Following withdrawal of legal tender character of old Rs 500 and Rs 1,000 denomination notes from November 9, government has put restrictions on cash withdrawals from banks and ATMs. Currently, a person can withdraw up to Rs 24,000 in a week.

Amid the cash crunch, Life Insurance Council had approached the Insurance Regulatory and Development Authority of India (Irdai) to extend grace period by an additional 30 days for all the policies falling due between November 8 and December 31, 2016.

After examining the representation and keeping in view the inconvenience to policyholders, Irdai has allowed "the extension of grace period by an additional 30 days for all the policies issued by life insurers the premium/s of which fell/falls due on or after November 8, 2016 till December 31, 2016".

The regulator said that the special one-off dispensation is given so that policyholders do not suffer from non-payment of due premiums due to recent cash crunch.

"All life insurers are advised to comply," said the Irdai circular addressed to CEOs of the Life Insurance Companies.

This follows a move by the Reserve Bank to provide additional 60 days for repayment of housing, car, farm and other loans worth up to Rs 1 crore. This is applicable to loans payable between November 1 and December 31, RBI said in a notification.

Source

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Life insurers' total products see 12% jump – Business Standard - 30th November, 2016

The number of products of life insurance companies has seen a jump of 12.3 per cent as of October 31, 2016, according to data from Life Insurance Council. Theindustry had 685 products as on October end 2016 compared to 610 products last year during the same time period. For the private sector, the number of products rose to 650 compared to 579 a year ago. Life InsuranceCorporation of India (LIC)'s number of products rose to 35 from 31 in the same period.

Individual products of life insurers saw a faster rate of growth. The industry has 518 products for the individual/retail segment as of October 2016 compared to 451 products as of October 2015. With respect to the group segment, the number of products rose marginally to 167 compared to 159 a year ago. LIC has 23 individual and 12 group products as of October-end 2016 compared to 20 individual and 11 group products.

Private sector companies, on the other hand, had 495 individual products and 155 group products in October end 2016 that rose from 431 and 148 respectively from a year ago. Overall, industry players said that the approval process from the regulatory side has speeded up compared to earlier times when products were stuck at the regulator's office for a longer duration.

Further, now that clarity has been given by new norms that have asked life insurers to have only five products a year that can be filed with the regulator. While the Insurance Regulatory Development Authority of India (IRDAI) did not bar companies from filing more products, it had said that said if the number of products exceeds five, the insurer should furnish supporting market research, product-wise persistency for the 13th month, 25th month and 37th month as on April 30 of the previous year.

Hence, insurers have been asked to bring out an as come out with a new product planner rule, by which an insurance company can file only five products for approval in a year. However, Life Insurance Corporation of India (LIC), the country's largest product planner before every financial year. The planner would give an indication of the number of products an insurer proposes to file each quarter.

Source

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Health Insurance

Health covers for the differently-abled – The Hindu – Business Line – 27th November, 2016

The government and private insurers offer medical covers, subject to conditions Medical costs can burn a hole in your pocket and set back your finances and savings. More so if there is no insurance cover or if the expenses are recurring in nature, as in the case of people with disabilities.

In view of the upcoming "International Day of Persons with Disabilities" on December 3, we take a look at the options available for the disabled.

Special schemes

The Government offers the Niramaya health insurance policy for persons with autism, cerebral palsy, mental retardation and multiple disabilities. The cover offered is Rs.1 lakh, irrespective of the type of disability.

The insurance cover can be used for a wide range of services such as regular medical check-ups, hospitalisation, therapy and corrective surgery, subject to sub-limits for each category. Medical tests are not mandatory for getting this cover and treatment can be taken at any hospital. The policy also compensates for out-patient services, including medicines, pathology, diagnostic tests done at non-empanelled hospitals. Transportation costs are also covered.

To enrol, you need a disability certificate issued by an authorised entity and proof of address. The annual payment is Rs.500 if the family income is over Rs.15,000 per month. Medical expenses have to be first borne by the insured; they must apply for reimbursement by submitting documents such as medical bills, hospitalisation report and discharge card.

For people with blindness, low vision, hearing impairment, loco-motor disability, mental illness and those who have earlier been leprosy patients, the New India Assurance Company offers the Swavlamban health insurance scheme (in association with Ministry of Social Justice and the Department of Empowerment of Persons with Disabilities). The policy is open to 0-65 year-olds who have an annual family income below Rs.3 lakh.

There are no medical tests and the premium is Rs.355 per person. The plan offers coverage of up to Rs.2 lakh as a family floater (family size up to four) for one year. There is no exclusion of pre-existing conditions. Corrective surgery for existing impairment can be done after obtaining consent. Pre- and post-hospitalisation expenses are also covered, subject to limits. Out-patient cover for corrective therapy is up to Rs.10,000 a year (Rs.3,000 for persons with mental retardation/illness).

Regular policies

Private insurers also offer covers subject to certain conditions. The coverage and premium depends on the kind and percentage of disability, says Dhruv Sarin, head of health insurance, Policybazaar.com. Typically, those affected by polio or with less than 40-50 per cent disability can be covered. Insurers such as Max Bupa, Royal Sundaram, Cigna and Religare are known to be more disabled -friendly.

The insured needs a doctor certificate and may also have to go through tests. The cost of the policy varies and may be higher by up to 20-50 per cent than the usual amount based on the risk assessment. Some insurers may also add a waiting period of three to four years. There may also be partial or permanent exclusion or co-payment requirements, says Sarin.

Ifs and buts

Although government schemes are available, they have some limitations. The cover is low and there is no cashless option. A number of documents have to be submitted to get reimbursement. Secondly, those with over 40 per cent disability may face rejection by private insurers. Besides, certain conditions such as cerebral palsy, autism, any spine/head injury, and blindness are not covered. One with low or poor vision will be covered for hospitalisation due to other health problems but not for eye and related issues, notes Abha Khetarpal, President and Founder, Cross the Hurdles, a non-profit organisation.

Employees with disabilities who are covered through the employer group insurance schemes may also face rejection of claims due to their pre-existing condition.

Source

Options are limited for those disabled due to accidents. Says Ketna Mehta, Founder of Nina Foundation "The average monthly expense for paraplegic (spinal cord injury - waist down) is Rs.50,000 and for quadriplegic (chest down) is Rs.1 lakh. Such expenses, cannot be managed by many." One solace though is that eligible individuals with disability can claim a deduction of upto Rs.75,000 and those with severe disability, Rs.1.25 lakh under Sec 80U of the Income Tax Act, for their expenses.

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Reinsurance

IRDAI has set up a committee to make a decision on the order of preference in reinsurance cessions. – e-daily AIR – 25th November, 2016

The committee has members from the life insurance, general insurance, health insurance sectors as well as representatives from GIC Re, the General Insurance Council, Marsh India, Lloyd's and Munich Re, reported Business Standard.

The committee will look into laying down the procedures and modus operandi for the order of preference for cessions in respect of life, general and health insurance business.

Further, it will look at guidelines for implementation of the procedures, including spelling out the rights and obligations of all stakeholders involved. It would also look at timelines for offer of best terms, order of preference-wise.

In December 2015, IRDAI redrafted regulations for foreign reinsurers setting up branches in the country so as to give the only domestic reinsurance company, state-owned GIC Re, preference over them for cessions by Indian insurers. Under the proposed regulations, Indian insurers would have to first offer to the Indian reinsurer the choice to participate in their facultative and treaty surpluses before other players.

Foreign reinsurers are contesting that these proposed rules would discriminate against them and violate fair trade principles.

The committee will submit its report including draft guidelines by 9 December.

Several foreign reinsurers, including Munich Re, Swiss Re and Hannover Re, have received second-stage approval to set up branches in India. They are preparing to start operations next year after the final (third-stage) approval is received.

No walk in the park over the short term.

Source

Foreign reinsurers are queuing up for licences to operate in India after liberalisation of the market. "We believe opportunities exist for foreign reinsurers with sophisticated product development and strong technical underwriting expertise that are willing to invest for the longer term," said S&P Global Ratings credit analyst Philip Chung in the report, "Reinsurers flock to India despite an uneven playing field". In the short term, however, India won't be a walk in the park for foreign reinsurers, as the direct non-life insurance industry has been making underwriting losses for many years, says the report.

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Circulars

Source

Investment

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Global

China: Regulator warns of rising risks in credit assets – AIR – E-daily – 1st December, 2016

China's insurance regulator has warned that risks are rising for insurers' credit assets, reported Reuters citing a statement on the CIRC website.

Mr Chen Wenhui, CIRC Vice Chairman, said that 80% of insurance assets were invested in credit-related assets and credit risks were rising, even as insurance firms chase higher yields.

The regulator has introduced a slew of measures this year to reduce insurers' risks including reining in aggressive acquisitions and investments in long-term assets using short-term funds.

Mr Chen said that there are still gaps between the use of insurance funds in China and more mature markets, such as deficiencies in corporate governance and Chinese insurers' involvement in insider trading.

The international political and economic situation is complex, adding to the risks faced by insurance funds, he said.

Source

The insurance regulator will promote the appointment of chief risk officers in insurance companies and tighten supervision over core insurance business.

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Jordan: Ministry gives assurances to placate auto insurers – MEIR E-daily - 1st December, 2016

The Ministry of Industry, Trade and Supply, which currently supervises the insurance industry, has assured the Jordan Insurance Federation (JOIF) that it would conduct studies into losses in compulsory third-party motor insurance and find solutions to the issue that would be satisfactory to all parties.

Revealing this at a recent media conference, Dr Ali Al-Wazani, JOIF Chairman, said that the association had again approached the Ministry and other authorities about stemming the huge losses which insurance companies have been running for several years in compulsory third-party motor insurance, reported Hamrin News.

Last month, a number of insurance companies started discussing among themselves a decision to stop issuing motor mandatory third-party liability (MTPL) insurance policies early next year in a move to avoid losses. Insurers have for several years urged that immediate measures be taken to liberalise motor tariffs which are capped by the government.

Dr Al-Wazani said that the authorities understand the negative impact on the insurance sector of the losses, which have pushed several insurers into exiting the business. He said that there is no convincing justification for insurers to support losses in this class of business.

He said that the Industry and Trade Minister had assured JOIF that the ministry would conduct studies and find solutions in partnership with JOIF. He said that the Ministry promised to undertake an actuarial study of MTPL insurance and the extent of losses suffered by insurers, and consider the possibility of a gradual lifting of tariffs which are set by the government.

It is uncertain whether the Ministry's assurances would placate insurers and pre-empt them from quitting the MTPL business next year. This is because insurers are likely to have to wait further for reform because supervision of the industry is to be transferred from the Ministry to the Central Bank of Jordan next year.

JOIF estimates cumulative losses from MTPL insurance at JOD220 million (US$310 million) between 2005 and 2015. Losses, which last year amounted to JOD17 million, are anticipated to reach JOD20 million this year. MTPL insurance accounted for 27.4% of total non-life premiums in Jordan's insurance industry, but claims paid in this class made up 57.9% of non-life paid claims last year.

Dr Al-Wazani added that there are 1.4 million vehicles in Jordan and about 150,000 car accidents each year. The number of deaths from traffic accidents each year in Jordan is around 900.

Source

He repeated JOIF's call on the government to liberalise motor tariffs and leave insurers to compete among themselves as in other sectors.

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