भारतीय बीमा संस्थान INSURANCE INSTITUTE OF INDIA

Insurance Institute of India

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

INSUNEWS

- Weekly e-Newsletter

1st – 7th January 2016

● Quote for the Week ●

"Move fast and break things. Unless you are breaking stuff, you are not moving fast enough "

Mark Zuckerberg

INSIDE THE ISSUE

Insurance Industry

Insurance sales to see reforms in 2016 - Business Standard - 5th January 2016

Insurance sales might undergo changes in 2016. With more number of telematics devices hitting the market and simple over-the-counter (OTC) products being sold by companies, it would be a win-win situation for policyholders.

Low insurance penetration (below five per cent of the gross domestic product) has been a cause of concern for the sector as well as the regulator, Insurance Regulatory Authority of India (Irdai). One of the solutions has come up in the form of simple OTC products, which could be sold in rural as well as urban areas. Irdai Chairman T S Vijayan had also said the regulator was looking at allowing such products in life and general insurance. These products would have a standard structure of features with standard pricing. These products are expected to be low-ticket basic insurance coverage in the areas of life insurance, health insurance, motor insurance, and cattle insurance.

Similarly, a universal health insurance scheme is set to be launched in 2016. This might even have the Rashtriya Swasthya Bima Yojana merged with it. Family covers for four members would be available with options of including a senior citizen in it. This, however, could alter the pricing. Irdai is also exploring ways to make insurance popular online via e-commerce. It has formed two groups — comprising life insurers and general insurers, respectively — to look into the opportunities in insurance e-commerce.

According to the regulator, insurance e-commerce would lower the costs and bring in higher efficiencies and ensure greater reach. This would also leverage the government's Digital India initiative, aimed at creating a digitally empowered society and knowledge economy. The two groups will identify opportunities of e-commerce in the insurance sector, recommend technological solutions, suggest regulatory and other facilitation measures for growth, and synergise with Digital India initiatives of the government.

Based on the recommendations, which could be out soon, the regulator would take decisions on how to expand the product category and how to make the e-commerce platform more attractive for prospective policyholders.

On after-sales servicing and premium benefits, telematics is expected to gain more traction. While only a handful of vehicles fitted with these devices that are designed to capture data including number of kilometres clocked every day, average speed, vehicle location and engine run time, many more devices are hitting the market causing prices to come down.

Although the real intent is to use the data to incentivise or disincentivise customers based on driving behaviour, insurers are currently focused on collecting data. When adequate data is collected, this will be used to give premium benefits to policyholders.

Similarly, mobile phones could be used for not only purchasing products but also for claims intimation and settlement. Insurance policies in electronic format will also be accessible from the mobile.

Source

India: CEOs predict robust trends in insurance industry for 2016 – Asia Insurance Review

The Indian insurance industry is expected to continue seeing robust growth this year on the back of economic growth and government initiatives, according to several senior industry executives. Mr M Ravichandran, President – Insurance, Tata AIG General Insurance, expects the industry growth to be around 12-13% for the financial year ending 31 March 2016, and forecasts that the growth rate would be around 15% in the next financial year, reported DNA India.

He said that some of the drivers for growth in insurance market in the next fiscal year are: the 'Make in India' initiative, investment in infrastructure, the smart-cities initiative and increased consumption. Good sentiment would also lead to increased travel both within and outside India leading to buoyant travel insurance. Revisions in the pay scales of government employees, that would increase their purchasing power, would lead to more demand for automobiles, thereby contributing to growth in auto insurance market.

A host of foreign players are expected to expedite their decision to enter the Indian insurance market now that the foreign direct investment cap has been increased to 49%. Insurance being a capital intensive business an increase in FDI gives them the opportunity to invest to grow their business in India through channel development and digital initiatives. Separately, Mr K G Krishnamoorthy Rao, Managing Director and Chief Executive Officer of Future Generali India Insurance, said that the range of policy initiatives taken by the government and regulators have led to renewed optimism about the future prospects of the Indian economy.

He said that the 'Make in India' initiative and other reforms would lead to an upsurge in the manufacturing sector which would prove to be a boon for property and marine cargo insurance. Also, stalled infrastructure projects would finally kick off in 2016, thereby boosting the engineering insurance sector. However, Mr Rao said he feels that the biggest challenge for the general insurance sector is profitability. This is chiefly because of unhealthy price wars that exists in almost all product segments. In order to curb this, he said that the sector will have to take appropriate steps to correct prices.

Meanwhile, ICICI Lombard in its report, " General Insurance: Trends and Outlook for 2016" said that increased customer awareness, the rise in catastrophic events and pro-consumer regulatory changes would drive the health insurance market. Mr Sanjay Datta, Chief- Underwriting, Claims & Reinsurance, ICICI Lombard General Insurance Company, said that more and more people are relying on their insurance provider as a source of credible healthcare information for better decision making.

In the motor insurance segment, the current trends reflect a shift in consumer behaviour, with customers favouring vehicles that are high on design and features across various price points and segments. There is also an increase in consumer preference for services such as Ola and Uber. In addition, despite accounting for approximately 5% of all taxis in India, the organised taxi market is growing by more than 20% annually. The self-drive rental car segment is also showing promising growth. These trends will lead motor insurance purchases to drift towards these segments. The report also noted that of the 32.9 million vehicles registered in India (excluding two wheelers), surprisingly, 9.5 million are uninsured. While two wheelers account for around 70% of all vehicles in India, almost 75% of two-wheelers in India run without insurance - either they have no insurance or their insurance has lapsed.

Source

Back

Insurance Regulation

IRDAI asks insurers to report ownership structure by January 18 - The Economic Times – 3rd January 2016

Regulator IRDAI has asked all insurers to report their ownership structure and control within the deadline of January 18. Insurers say they are working on the same and will be able to comply with the IRDAI demand within the deadline.

The guidelines on Indian-owned and controlled insurers, signed by IRDAI Chairman T S Vijayan, were issued by the regulator on October 19, 2015 and the three-month deadline ends on January 18. The stipulations are applicable to all the insurers, both life as well as non-life, irrespective of the extent of foreign shareholding.

The guidelines also provide, on an application made to the authority, for an extension of the period of compliance by a further three months. As per IRDAI guidelines, which were issued last year, foreign investors in a domestic insurance joint venture can nominate non-CEO-type key management personnel, provided such appointments are approved by the board where the majority of the directors, excluding independent members, are the nominees of domestic promoters.

Under the insurance laws, majority of directors, excluding independent directors, should be nominated by the domestic promoters/investors. In addition, they will nominate the chairman in cases where the chairman has a casting vote, it adds. The quorum at board meetings will be decided by the presence of the majority of domestic directors. This is regardless of the presence of the foreign partner's nominees. While some insurers have applied to the FIPB as well as the authority, seeking approval for change in their shareholding pattern and revision in the limit of foreign investment, majority have not done so as there has been no change in their ownerships following the increased FDI as their foreign partners have not taken a call.

It may be emphasized that the guidelines provide a maximum period of six months for compliance from the date of issue, an IRDAI notification dated December 23, 2015 said. So far, nearly a dozen foreign companies expressed their interests to increase their stake in their JVs here following hike in FDI to 49 per cent last year.

But, only the French major Axa (with Bharti) and British company Standard (with HDFC) are the only two foreign companies which have increased their stakes in their JVs here and accordingly made the compliance reporting so far. Axa has said it will raise stake in both life and non-life insurance ventures with Bharti Enterprises, leading to foreign capital inflow of about Rs 1,300 crore.

Similarly, Standard will raise stake in life insurance venture with HDFC, leading to foreign capital inflow of around Rs 1,700 crore. HDFC Standard Life has approached the FIPB for transfer of its shares currently held by HDFC to Standard Life (Mauritius Holdings), thereby increasing foreign shareholding in insurance JV from 26 per cent to 35 per cent, which was cleared by FIPB on December 29. "The proposal of HDFC Standard Life would entail foreign investment of Rs 1,700 crore," an FIPB official had said earlier. In case of ICICI Lombard, the foreign partner is likely to increase its stake in the company to 35 per cent and the process is already on.

"We are already under the process of increasing the FDI to 35 per cent and all the necessary compliances will be put in place within stipulated time," ICICI Lombard Chief (Claims and Underwriting), Sanjay Datta told. ICICI Bank has already said it would sell 9 per cent stake in its general insurance arm ICICI Lombard to Fairfax Financial Holdings which will bring down the bank's stake in the insurance venture to 65 per cent and bring in Rs 1,550 crore.

Liberty Videocon General Insurance is likely to get up to Rs 300 crore of foreign capital through hike in FDI to 49 per cent. In Liberty Videocon case, there are eight members, including me, on the board and all of them have been hired from the market. "Apart from me, three are from Indian promoters, two each are from foreign promoter and independent directors' category that are on the company's board. "Hence, we have already complied with the norms," Liberty Videocon chief executive and director Roopam Asthana said. "The FDI hike to 49 per cent is already under process and we are expecting Rs 200-300 crore to come through this route and it is likely to be completed by next fiscal," he added. Several other companies have announced their plan to do so. Still, they are yet to comply with the guidelines.

Source

Back

Insurance industry needs better digital solutions, says IRDAI chief - The Hindu Business Line – 3rd January 2016

The insurance sector should gear to match the current requirements of e-commerce and digital solutions, said TS Vijayan, Chairman of Insurance Regulatory and Development Authority of India. Speaking at the formal launch of the e-Vahana Bima, electronic motor-insurance polices, here on Saturday, Vijayan said there was need for better recourse to digital solutions available in insurance industry.

The success of low-cost (premium) life and accident insurance polices launched by the Centre last year was an example of innovative schemes in insurance, he said. The Common Service Centres (CSC), which are selling low-cost insurance policies, and insurance repositories should be used more by the industry and people, he added.

Quick response code
Under the e-Vahan Bima, electronic motor insurance polices are issued in digital form with Quick Response (QR) code. As these policies can be stored and accessed on smart phones, the process of verification will be easier for commuters as well as the police.

The initiative was a joint effort by IRDA, IT department, police and transport department of the Telangana government.

National plan
Sriram Taranikanti, Executive Director, IRDA, told BusinessLine that the authority is working on rolling out this facility at the national level in a phased manner.

"While Telangana is the first State to accept e-motor insurance policies, the Ministry of Road Transport and Highways, Government of India, has agreed to share vehicle data with us. We are developing necessary protocols and modalities to do this," he said.

The entire process data handling is being done by Insurance Information Bureau (IIB), an arm of IRDA. According to IIB CEO R Raghavan, the Bureau is working with Madhya Pradesh, Rajasthan, National Capital Region, Kerala and Karnataka for e-Vahana Bima.

"We are in the proof of concept stage in these States. We need to collaborate and coordinate with transport, IT and police departments in each of these States to roll this out. We expect to see some good progress by mid-2016," he said. There are about 12.5 crore vehicles in the country and 55 per cent of these do not have third-party insurance, according to official data.

Source

Back

Life Insurance

Life Insurance: Tide turns as Ulips come of age - The Financial Express – 5th January 2016

The year 2015 will go down as a watershed year in the history of life insurance in India. The Insurance Laws (Amendment) Bill, 2015 passed by Parliament in March 2015 has the potential to change the landscape of the industry. The long-standing demand of the industry for increasing FDI to 49% has become a reality allowing the several insurers to access the much-required growth capital apart from several other changes influencing the entire value chain from distribution to policy servicing to claims.

The Bill also laid the foundation for another eagerly awaited regulation; that of enabling open architecture in bancassurance which saw the light of the day after a wait of six years. The IRDAI has been vested with greater powers to usher an era of responsive regulations; the need of the hour is to have a regulatory environment that is focused not just on customer protection but education as well while being pragmatic and mindful of the ground realities and challenges faced by the industry. The Bill lays equal emphasis on market conduct and consumer protection envisaging onerous penalties for insurers in case of any breaches and the somewhat contentious law for 'non repudiation' of claims on any grounds whatsoever, if intimated after three years, thus enabling holistic development of the industry.

ULIPs back in favour, unabated rise of bancassurance: FY16 also witnessed the return of the industry to the growth path. Before we begin celebrating the turning of the tide, it is important to understand the reason behind this growth. For the private industry, this growth is primarily linked to the resurgence of unit-linked insurance plans (Ulips) which in turn is driven by the prevailing bullish sentiment in the equity market. However, we should be circumspect in proclaiming the 'coming of age' of Ulips since the current rush for Ulips has little to do with its intrinsic value proposition and everything to do with the returns that the markets have delivered in the past 18 months.

The Ulips are inherently market-linked products and, therefore, the sales are bound to be influenced by the performance of the stock market.

However, that also makes Ulip sales vulnerable to the vagaries of the market. We have seen this play out in the past, Ulips in their new avatar have been in existence since 2010, however, their sales continued to be depressed till the second half of 2014 when the current bull run in the stock market began. Thus any growth that is solely driven by Ulips is bound to be volatile and as a life insurance industry, which is considered to be a safe haven for customer's money, we should be able to deliver steady and long-term growth rather that sporadic periods of hyper growth. Another persistent challenge associated with Ulip sales is that stock market returns over the short term are wrongly extrapolated to lead customers to expect similar returns over a longer period. Despite knowing Ulips are market-linked products, the perception about life insurance being a 'safe' investment is so overwhelming that it leads customers to expect some kind of immunity from the sudden shocks of equity markets. Unless we, as an industry, have a robust control mechanism to safeguard customers against false expectations and ensure that Ulips are sold as a long terms savings plan rather than a short-term investment, we should be extremely cautious in cashing in on sentiment driven Ulip sales for growth.

Apart from Ulips, the bancassurance segment continues to grow as it has for the past four years. However, this growth is restricted to insurers who have access to this channel with bank-promoted insurers controlling over two-thirds of the private life insurance market. While the new corporate agency regulations do enable democratisation of bancassurance growth, that will depend on how many banks adopt open architecture, in letter and spirit, in the coming year.

LIC fared relatively better in 2015 compared to 2014 when it was hit by a complete overhaul in its product portfolio following changes in product regulations in January 2014. It has been declining for the last three financial years with 2014-15 witnessing its sharpest decline yet with individual weighted received premium 27% lower than the previous year. This year, the decline has been much lower, although it is a matter of concern that the decline is continuing despite a much lower base.

In summary, 2015 saw growth return to the industry, but core challenges remain making its sustainability debatable. Thus, while the current financial year has witnessed some growth, it has been Ulip-driven and given past experience, we know this growth is not sustainable. In fact, even bancassurance growth for the current year is largely driven by disproportionate Ulip sales which makes the growth even more skewed. On the other hand, the number of agents continues to decline. Life insurance penetration, which touched a high of 4.6% in 2010, has been on a decline hitting 3.1% in 2014. A significant part of the opportunity lies beyond the top urban centres and agency has the strongest presence in these locations. So, agency decline compromises our ability to increase life insurance penetration.

At the same time, persistency, while improving, is still significantly lower than other parts of the world and similar markets in Asia. This is again linked to distributor attrition. With continuous exodus of agents, the orphan policy numbers are on the rise and for most insurers, the persistency of this book is 10-15% lower than that of policies of in-force agents. For steady and long-term growth, the private industry will have to look at a more balanced product and channel mix. Unless we are able to do that along with a turnaround in the fortunes of the agency channel, which requires an environment that encourages people to become and continue as an agent, we will not be able to ensure secular and sustainable growth for the industry.

Winds of Change

* First step: Ulips are inherently market-linked products and therefore the sales are bound to be influenced by the performance of the stock market
* Some worries: Even bancassurance growth was largely driven by disproportionate Ulip sales which makes growth more skewed
* Reality check: In summary, 2015 saw the industry return to growth, but core challenges remain, making its sustainability debatable

Source

Back

Touching new milestones in the life insurance industry - Mint – 5th January 2016

The year 2015 was an interesting one for life insurance. Earlier on in the year, the Insurance Laws (Amendment) Bill, 2015, was passed which has positively affected the business landscape. The implementation of Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), which was launched in May, popularised the concept of protection. In a short span of time, over 25 million lives have been covered through this scheme.

The coming year holds a lot of promise as it will see the implementation of efforts that have been initiated in 2015. The relaxation of foreign direct investment (FDI) limits augurs well for entities who have ambitions of scaling up operations.

Penetration of life insurance in India needs to increase. Insurance companies collectively need to address this challenge, and technology could be a game changer in this aspect. We are getting closer to 2020, the milestone where the population is expected to have a majority of young working individuals. And this population will need financial security. The level of financial awareness is increasing, credit for which goes to the insurance regulator, the government and the financial services industry. What's required now is sustaining the momentum that these initiatives have gained.

Life insurance serves two basic needs—that of suraksha (insurance) and bachat (savings). Therefore, products need to be simple and easy to understand. This will pave the way for life insurance to become a pull product. There is a need to do this because a closer look at the savings and investment patterns reveals that the quantum of protection in the financial portfolio has to be more.

Developing products that are simple and equally easy to purchase will enable a larger section of the society to build a robust financial plan. Success of the PMJJBY scheme has shown the game changing power of simplicity. The biggest innovation that the industry can do is to simplify products, processes and terminology.

Technology has been a catalyst for change, and will continue to be so. It has nudged the industry to stay on the profitable growth path. The life insurance industry is capital-intensive and the relaxation of FDI norms will attract long-term monies, which can be deployed to scale up operations, build distribution channels and deliver superior service to customers. Effectively, all of this will aid in bringing in a large section of the population into the ambit of life insurance.

Multiple distribution channels offer customers options to choose the way in which they prefer to interact with insurers. Distributors are empowered through technology-based sales platforms. Our vision of life insurance is that of a product which a layperson understands as easily as she understands and purchases a fixed deposit. While the digital platform has changed the way life insurance is sold, it is still work in progress.

The insurance regulator always places the customer first, and in line with that thought, changes have been effected to product and distribution structures. The regulator will continue with its customer centric approach and encourage insurers to innovate in terms of products and distribution. Dematerialisation of policies—introduced for the first time in life insurance—will gain traction, thereby enabling every individual policyholder to have an electronic presence through an electronic insurance account.

Year 2015 has seen the private life insurance industry complete 15 years of learning and innovations. As we gear up for the second half of the decade, we have a lot of exciting times in store. The current macro-economic environment is more conducive than it was a few years ago. The population of the country is now more inclined towards financial savings instruments, which bodes well for the financial products.

Effects of the economic development that has taken place over the past year-and-a-half will reflect in the coming years, and this is a great opportunity for entities to utilise. The 7th Pay Commission has given an upward push to the incomes of a sizeable section of the population. With an increase in income come aspirations for a better lifestyle and the need to secure the future of one's self and family. In such a scenario, life insurance is set to become a preferred product for every working individual with responsibilities.

Source

Back

Health Insurance

Irdai asks insurers to tie up with more hospitals - Financial Chronicle – 6th January 2016

Insurance watchdog Irdai has asked general and standalone health insurers to tie up with more hospitals. The regulator is of the view that there should be agreements with adequate number of service providers widespread geographically.

In a direction to insurers, Irdai referred to a Bombay High Court mentioning concerns by petitioner in its final order, which said that insurance companies have provided cashless facility at about 250 hospitals/clinics in Mumbai under the PPN (preferred provider network) facility. There are in all 3,000 hospitals/public clinics in the city of Mumbai and therefore more and more hospitals and clinics ought to be brought under this PPN facility.

Drawing attention to a similar matter, Irdai referred to some representations which said: "very few hospitals for mysterious reasons known only to insurance companies or TPA are empanelled which definitely raises eyebrows and it seems that they are favoured by the insurance companies/TPAs. This makes the limited choice of the hospitals. Again Ahmadabad is a Metro city where from one corner of city to other will take minimum 1.5 hours so at the time of emergency it will be difficult to reach hospital having PPN facility, thereby we feel that there should be empanelled hospitals in each and every corner of city"

The Irda (health insurance) regulations 2013 say that the insurance company shall endeavour to enter into agreements with adequate number of both public and private sector providers with adequate geographical spread. "In pursuance to the adherence to the above regulation, it is reiterated that all insurers may continue to endeavour to enter into agreements with sufficient number of Service Providers adequately covering geographical spread in compliance with the Regulation (10) (c) of the health insurance regulations 2013," Irdai said.

Source

Back

General Insurance

Nuclear Liability Fund frees equipment suppliers from financial burden - The Hindu Business Line – 7th January 2016

For international players in the civil nuclear space, the tantalizing prospect of doing big business in India has for a while now been tempered by the downside risk in the absence of an agreement over nuclear liability contingencies. GE's Chairman and Chief Executive Officer Jeff Immelt had once said, "I would love to participate (in India)...But I do not want to put my company at risk for anything. That has to get through people's head so that we get a common language on this (nuclear liability)."

A similar sentiment has been voiced by other international players and some US political heavyweights. Taking the cue from this and fulfilling a commitment made by Indian negotiators of the India-US Contact Group formed in September 2014, during Prime Minister Narendra Modi's first visit to the US, New Delhi has notified the creation of the Rs 2,000-crore Nuclear Liability Fund on December 8.

Nuclear liability fund

While the fund puts some of the onus on the power producer in the event of a nuclear accident, it leaves the equipment supplier free from any financial burden in such an eventuality. Officials in the Department of Atomic Energy told Business Line that with this, they are hopeful that commercial engagements with the US will start in the civil nuclear field.

The Fund will be used if the damages exceed the operator's liability of Rs 1,500 crore as stipulated under the Civil Liability for Nuclear Damages Act. The Fund will be set up through a levy collected from operators of nuclear installations. According to an official notification, the operators will have to pay anywhere between 5 paise and 10 paise for each unit of electricity sold to customers.

In India, the Nuclear Power Corporation of India (NPCIL) will be the operator, so the onus falls on it. However, to cushion the impact on NPCIL, the Centre has created a Rs 1,500-crore India Nuclear Insurance Pool with support from the General Insurance Corporation of India. "During US President Obama's visit, India had agreed to create an insurance pool and a nuclear liability fund. Both have now been created. Nothing changes with regard to the Act. This is just to provide for an amount in case of an accident," a senior official explained.

The Fund amount will be credited into the Consolidated Fund of India and the levy will be payable on a quarterly basis.

The commitments for a Fund and an insurance pool were a result of US concerns about Section 17 of the Act, which give the operator the Right to Recourse and allowed it to sue suppliers like GE and Westinghouse, in case of an accident.

India has maintained that Section 17 is an 'enabling provision' and not a mandatory one, and the Nuclear Liability Fund and the insurance pool will be enough to cover damages for accidents. It remains to be seen whether US firms will be satisfied with the measures.

Source

Both GE and Westinghouse were a part of the India-US Contact Group.

Insurance companies see drop in growth for engineering segment ; may see uptick in 2016 - Business Standard – 7th January 2016

Engineering segment for insurance companies has seen a drop in growth owing to very few number of projects taking off. According to industry experts, there had been a 10-12 per cent drop in the premiums under fire and engineering policies. However, insurers expect an uptick in 2016.

K G Krishnamoorthy Rao, MD & CEO, Future Generali India Insurance said, "The stalled infrastructure projects would finally kick off in 2016, thereby boosting the engineering insurance sector as well."

Overall, industrial production numbers are also seeing positive signs now. Insurers have also been offering heavy discounts in insurance premium rates for the fire and engineering segment. This segment largely covers manufacturing plants and large-scale industrial projects from fire and other risks associated with construction and maintenance. Other than manufacturing, fire and engineering policies are offered to sectors such as auto, oil & gas, power, and infrastructure.

"Since not many new projects were not coming up, there was tough competition to retain existing customers and attract those from other insurers. Now, there are signs of green shoots emergingt," said the underwriting head of a private general insurer.

According to industry insiders, after the fire and engineering segment was de-tariffed (price control was removed) in 2007, earlier in some areas there were instances of 60-70 per cent drop in rates, making the businesses un-viable.

Industrial output grew at its fastest pace in five years at 9.8 per cent in October on robust festival demand, official data showed on Friday. A four-and-a-half month high in double-digit growth in manufacturing, particularly consumer durables and capital goods, fuelled industrial production.

Industrial production, as measured by the Index of Industrial Production (IIP), grew 3.6 per cent in September and had contracted 2.6 per cent in October 2014, so the October expansion was on a low base. But, economists warned October could turn out to be a statistical aberration.

Source

Back

Soon, you could buy vehicle insurance through ATMs! - The Hindu Business Line – 6th January 2016

Soon, it may be possible to buy vehicle insurance through bank ATMs. The Insurance Regulatory and Development Authority of India (IRDAI) plans to permit insurance companies tie up with banks in this regard, its Executive Director Sriram Taranikanti told BusinessLine. To begin with, the mandatory motor third-party insurance will be made available through ATMs.

“There are seven crore vehicles plying without insurance, creating a huge social and economic hazard for victims of road accidents, and this needs to be curtailed,” the official said. This also dilutes the safety net and has adverse impact on the compensation available for the common man in case of any grievous injury arising out of use of uninsured vehicles.

The total number of registered vehicles in the country are 15 crore, according to the latest data. While insurance is automatically bought at the time of vehicle buying, owners fail to renew it after the first year. The regulator is of the view that easy access to purchase of insurance might ensure better compliance.

As the premium rates for third-party insurance are generally fixed and uniform, there is no question of much competition. The lowest premium for third-party insurance is about Rs 500. On this basis, if all vehicles are insured, it will generate a premium income of ₹3,500 crore. If one adds up the higher premium for some classes of vehicles, the combined premium income generation could be around Rs 5,000 crore. “Indirectly, this will also trigger demand for own damage component of insurance which might benefit the industry,” Taranikanti said. The total size of vehicle insurance segment in the country is about Rs 15,000 crore.

As most of the banks are already distributing insurance products, making them available is not a big issue for banks and insurers, he felt. The Know Your Customer (KYC) norms are not mandatory while taking a motor insurance policy. The IRDAI is also actively considering sale of insurance at mobile pollution check centres as part of exploring ways to address the online connectivity issue, which is a must for issuing policies.

Source

General insurance premiums may not go up this year - The Hindu Business Line – 5th January 2016

General insurance premiums are unlikely to see a sharp rise this year due to falling global reinsurance rates.

According to industry experts, reinsurance premium rates are expected to decline this year as there have been no major catastrophes globally and also due to overcapacity in terms of capital in the market. This is despite India recording high economic losses due to the Chennai floods, which had a Rs. 3,000-crore impact on the general insurance industry.

According to Aon Benfield, leading treaty reinsurance broker, for 2015 global reinsurance capacity was about $565 billion, with alternative capital making up about 12 per cent — or $69 billion — of that total.

Insurers apportion a part of their risk to re-insurers by sharing a slice of their business (premium) with the latter so that they don't have to bear the entire loss in case of an adverse event.

K Sanath Kumar, Chairman and Managing Director of General Insurance Corporation, the country's sole domestic re-insurer, said reinsurance rates would remain soft this year as the last year had been benign in terms of major catastrophes globally. This could lead to a decline in rates when the reinsurance contracts for Indian general insurers come up for renewals in April.

G Srinivasan, Chairman and Managing Director of New India Assurance, the country's largest domestic general insurer, also said that he does not anticipate a hardening in reinsurance rates despite high catastrophe losses in the Indian market. This is due to the fall in re-insurance rates globally.

Global reinsurance broker, Willis Re, in its recent report, said: "Reinsurers have also faced difficult renewal dynamics in some specialty markets, with large losses and reductions in original rates not proving sufficient to dissuade further capacity from entering either the aviation or energy markets. This is leading to a prolongation of softening rates."

Source

Back

Mobile insurance likely to find more takers this year - Financial Chronicle – 4th January 2016

With the increase in the number of smartphones in the market, phone insurance services are expected to take off this year. Telecom service providers, device makers and distribution companies have started to push the plans to secure expensive phones, which is now a necessity for many for communication, entertainment and other purposes, including banking.

"Phones are the first and primary computing devices for a lot of people in India. Even if they are otherwise, the devices are an important part of our lives for communication and entertainment. Devices are getting more and more sophisticated and the obvious thing to do is to secure them against theft and damage. Insurance services for phones would catch up much sooner than later," says Arvind R Vohra, country chief executive officer and managing director of Gionee India.

Recently, IT products distributor Ingram Micro launched a value-added insurance plan for smartphones and tablets. Starting at Rs 499 (right from devices that cost less than Rs 5,000), depending upon device's official retail price, the 'cover plus' offer benefits including multimedia downloads and anti-virus protection besides insurance. The comprehensive insurance package is backed by the Oriental Insurance Company. It covers contingencies caused by accident, liquid, theft, burglary, fire and tempest. The other benefits also include free insurance for the first year; high residual value for the handset; protection against SIM misuse in case of theft, with coverage up to Rs 1,000, and mobile bill protection against job loss in case of retrenchment, through which the user can avail of up to Rs 3,000 per month for three months.

Felix Wong, president at Ingram Micro, says: "Having strongly established our presence in distribution, logistics and service management, offering value-added services, which are still at a very nascent stage, is the next logical step for us. As mobility becomes mainstream, we have identified a growing trend for increasing gadget protection. We seek to address the same with the cover plus, which comes bundled with free insurance. Most of the mobile-insurance market is still unorganised with regional or city-specific players."

Different companies are offering mobile insurance products. For instance, under the Syska gadget secure product, one can cover basic phones costing Rs 4,000 to devices valued at around Rs 1 lakh (iOS) for risks like theft and damage.

R Suresh Nair, head, product development, Bajaj Allianz General Insurance, says, "We cover mobile phones under our my home all risk policy. It’s a comprehensive insurance offering which protects not only the home, but also the belongings inside it, against risks like fire, burglary and natural calamities. Mobile phones fall under the portable equipment segment. Compared to the past, customers are now choosing to insure domestic appliances as part of the policy."

State-run New India Assurance Co. also offers a policy for mobile phones that provides cover against fire, riot, strike, malicious damage and terrorist activities, theft, accident and fortuitous circumstances. The insurance cover provides compensation equivalent to the cost of replacement of the instrument by a new instrument of the same specification and same capacity, including all taxes and duties.

Chinese phone maker Xioami recently has launched Mi Protect plan, costing between Rs 275-499 for one-year validity, which offers Mi phones and tablets protection against any kind of accidental and liquid damage. Besides, it also offers SIM misuse insurance cover of up to Rs 3000 among other benefits.

Most standalone mobile insurance products cost anywhere between Rs 100-3,000 depending on handset value. "Some companies had launched mobile phone insurance plans by tying up with insurers some years back but complaints have been reported of difficult claim process. Thats a problem in case insured phone gets stolen as police officials do not readily agree to mention in report that its stolen," said an insurance broker.

According to MarketReportsHub.com, the global mobile phone insurance market is expected for account for nearly $31 billion in revenue by the end of 2015.

The market is further expected to grow at a CAGR of nearly 10 per cent over the next five years, eventually accounting for over $48 billion in revenue by the end of 2020. As mobile phones and tablets are increasingly becoming a constant companion especially in the enterprise space, the dependency on these devices are high because of the sensitive and confidential data they carry.

Realising the requirement for insurance in the market, telecom service provider Aircel has partnered with Ingram to offer the services to its subscribers. Customers buying new smartphones can avail protection against accidental and liquid damage. The bundled offer comes includes 1GB Aircel data package for 3 months and premium anti-virus protection, says Anupam Vasudev, chief marketing officer at Aircel.

Source

Back

General Insurance: Rear view is essential, but need to brace for windshield of 2016 - The Financial Express – 5th January 2016

The general insurance industry had an eventful journey through 2015 to reminisce. The approval of new insurance Act combined with the long-awaited FDI hike, social sector schemes and numerous regulatory modifications took us a step closer to generate capital, expand points of sale and enhance customer experience.

The financial inclusion efforts of the Centre through Pradhan Mantri Suraksha Bima Yojana (PMSBY) helped us build inroads into markets, which were hitherto out of reach. Once these 1.17 million-strong PMSBY policyholders get a taste of insurance, we are sure they would graduate to other verticals such as home and fire insurance. Home insurance assumes importance in the wake of catastrophes such as Chennai, J&K and Uttarakhand floods.

With severe climatic changes, it is quintessential that government and individuals consider insurance to mitigate economic losses. The solution offered by general insurers and GIC in the form of Insurance Catastrophe Pool would not just benefit victims, but also reduce the burden on government exchequer consumed to rehabilitate massive dwelling grounds.

These natural calamities re-emphasise the importance of digitised policies facilitated via e-insurance, which ensure the policyholder to update personal details frequently, thus enhancing transparency and efficiency. The regulatory nod for storing data electronically would further reduce administrative cost apart from expediting claim settlements. Apart from paving the way for fast-paced development, the Insurance laws (Amendment)

Bill, 2015 also placed additional responsibility on the shoulders of non-life players. Segment-wise reporting was mandated to keep cross-subsidisation at bay.

While the rear view is essential, we need to brace for the windshield of 2016. The legal and regulatory developments have set the stage for a spectacular ride through the year ahead. The bancassurance channel, which has been our strength, would be under pressure after banks have been permitted to tie up with three players. An additional hurdle has been placed restricting the sum assured per year at R5 crore per risk. But access to RRBs, NBFCs, NGOs and micro lending institutions, who can act as corporate agents, opens a plethora of opportunities. Another game changer would be the engagement of customer service centre (CSC) for sales and service of insurance policies. The strength of CSCs would be doubled with availability of simple over the counter products mooted by the regulator.

Another new category would be the battery-powered e-carts and e-rickshaws, which have been brought in by the Motor Vehicles Amendment Act, 2015. There would be longer-tenure offerings in other verticals such as four-wheelers or even health, after the industry successfully tested the waters with two-to-three-year two-wheeler insurance. But new products also call for collaborative efforts from the industry to restrict fraudulent claims, especially in the wake of the no-rejection clause for policies in force for more than 3-years introduced by the new insurance Act.

Cracking a whip on fraudulent claims would be possible with Registry of Hospitals in Network of Insurance (Rohini), which maintains data on 35,000 hospitals using 13-digit globally unique ID (GLN) and geo-coding. Eradicating baseless claims, which have been on the rise and faster claim settlement would be an outcome of Rohini platform. If enacted upon, IRDAI's suggestion to link premium to CPI inflation would help increase prices in tandem with general price rise and avoid customer resentment to sudden premium hikes. The developments and elaborate reforms witnessed during the year would paddle the industry to higher growth and improve penetration of non-life products, which stands at an abysmal 0.8% in 2014-15.

Source

Back

Budget 2016-17: Agri bodies seek more allocation & soft loans for farmers - Business Standard – 5th January 2015

At a time when the agriculture sector is facing distress, Finance Minister Arun Jaitley on Monday stressed the need for more investment and for revamping the incentive structure for farmers. "The key challenges faced by Indian agriculture are the need to increase productivity by leveraging technology, especially for high-yielding and resistant variety seeds and efficient utilisation of water; adapt the latest IT to increase resilience to nature by phasing sowing, watering, and harvesting; and to increase the price benefits to the farmer by providing timely market information," Jaitley said, at a pre-Budget meeting with representatives from agriculture bodies.

According to an official statement from the finance ministry, Jaitley said these challenges could be addressed by revisiting the incentive structure of farming, use of latest technology to raise productivity, reduce wastage and enhance earnings as well as to improve marketing of farm produce. He said there was a need for more investment in the agriculture sector.

The farm sector representatives sought enhanced budgetary allocations in the Union Budget 2016-17 to improve investment in agriculture, irrigation, research and development, and post-harvesting facilities. The two-and-a-half hour meeting saw the agriculture bodies demanding setting up of national irrigation authority to give thrust to irrigation projects and river valley authorities for distribution of water, levying charges for water supply and suggesting cropping patterns.

The farmer groups also asked the government to provide loans of up to Rs 5 lakh to all farmers at four per cent interest and sought higher support price and consistent export policy. The agricultural bodies also sought mandatory crop insurance for all crops, besides a long-term comprehensive export policy for five years to be announced to connect Indian farmers with international markets.

Budget 2016-17 is expected to see significant increase in allocation to marquee programmes such as the Pradhan Mantri Krishi Sinchai Yojana, Rashtriya Krishi Vikas Yojana, Pradhan Mantri Gram Sadak Yojana, and the one to provide soil health cards to the country's 140 million farmer families over three years to boost the overall rural economy.

The farm sector also sought exemption of income tax on profit made by farmer producers' organisations and agri-cooperatives, creation of buffer stock of milk powder, outright ban or increase in import duty of butter oil, and imposition of safeguard duty on import of rubber. Farm bodies also said the government should do away with interest subvention scheme on crop loan and take corrective measures to provide institutional credit to small farmers.

Representatives from various trade unions also gave their representations to the Budget makers. These demands were raised under a 15-point charter submitted by 11 central trade unions. Jaitley said one of the Modi government's biggest priority was "to make health and social security benefits accessible to un-organised sector workers like construction workers and migrant labourers, and volunteers of different schemes like anganwadi workers etc. Jaitley added the government was considering a mechanism to provide social security benefit contributions to workers under a single window.

The unions have asked that fringe benefits such as housing, medical and educational facilities and running allowances in railways should be exempted from income tax. Unions suggested that public sector units (PSUs) be strengthened and expanded and the disinvestment of government shares in profit-making PSUs be stopped. Besides, they said the budgetary support should be provided for the revival of sick PSUs.

Source

The unions' joint charter said the threshold limit of 20 employees in Employees' Provident Fund scheme be brought down to 10. It said the government and employers' contribution should be increased to allow sustainability of employees' pension scheme and for provision of minimum pension of Rs 3,000 a month.

Back

India: Insurance premiums unlikely to surge despite flood losses – Asia Insurance Review

Despite flood losses last year, general insurance premiums in India are unlikely to see a sharp rise this year because of falling global reinsurance rates. According to industry experts, reinsurance premium rates are expected to decline this year as there have been no major catastrophes globally the past year and also due to overcapacity in the market. This is despite India recording high economic losses due to the Chennai floods, which has an INR30-billion (US$449 million) impact on the general insurance industry, reported the Hindu Business Line.

Mr K Sanath Kumar, Chairman and Managing Director of General Insurance Corporation, the country's sole domestic re-insurer, said reinsurance rates would remain soft this year as the last year had been benign in terms of major catastrophes worldwide. This could lead to a decline in rates when the reinsurance contracts for Indian general insurers come up for renewals in April.

Mr G Srinivasan, Chairman and Managing Director of New India Assurance, the country's largest domestic general insurer, also said that he does not anticipate a hardening in reinsurance rates despite high catastrophe losses in the Indian market. This is due to the fall in re-insurance rates globally. Global reinsurance broker, Willis Re, in its report "1st View – Pricing Floor Remains Elusive", said: "Reinsurers have also faced difficult renewal dynamics in some specialty markets, with large losses and reductions in original rates not proving sufficient to dissuade further capacity from entering either the aviation or energy markets. This is leading to a prolongation of softening rates."

Source

Back

Reinsurance

GIC Re eyes increasing global premium - The Economic Times – 31st December 2015

Country's sole reinsurer GIC Re plans to increase its global premium by operating in more geographies and increasing capacities over select lines of business, a top company official said today.

"Our operations in Dubai, Kuala Lumpur and London are poised to grow in business and profits. In India, we are prepared for the new brand of competition that would develop, as reinsurers would set up new branches and Lloyd's market would start operating from next financial year," GIC Re acting Chairman and Managing Director Sanath Kumar told PTI.

The domestic market will soon see major reinsurers starting their business once sectoral regulator Irdai finalises relevant regulations, he said.

"We have built up tremendous confidence among Indian cedents on our dependability in settling claims and hand holding new players through their initial period," he said. According to the officer, GIC Re would touch a business figure of Rs 16,500 crore in 2015-16 as against Rs 15,184 crore in 2014-15.

Global premium for GIC Re at the end of September 2015 was Rs 8,415 crore from Rs 7,274 crore in the year-ago period, showing a growth of 15.50 per cent. Kumar said losses of GIC Re in connection with the recent Chennai floods are yet to be quantified, though it would be around Rs 5,000 crore for the entire industry.

"In Chennai, the payments streams to direct insurers are yet to take place, but the industry losses are to the tune of Rs 5,000 crore. The loss to GIC Re is yet to be quantified and we have offered advance payments to those insurers who are severely hit by this catastrophe," he said. GIC Re made an operating surplus of Rs 776 crore after taking into account the investment income from policyholders' funds, which was at Rs 1,200 crore in the year-ago period.

Source

The investment income was lower at Rs 1,764 crore in first half of 2015-16 from Rs 2,115 crore in the corresponding period of 2014-15. "There was a reduction in investment income due to market conditions," Kumar said. The combined ratio continues to hover more than 100 per cent, which is more reflective of the domestic business, which comes with a higher combined ratio. The net worth of the company is currently at Rs 40,000 crore.

Back

IRDAI Circular

Source

IRDAI uploaded the Handbook on e-Vahan Bima (e-Motor Insurance Policies)

Source

IRDAI issued exposure draft regarding Extension of time limit for Submission of Comments on Exposure Draft IRDAI (Expenses of Management of Insurers transacting the business of life insurance) Regulations, 2015

Source

IRDAI issued circular to all General Insurance Companies and Stand-alone Health Insurance Companies regarding agreements with adequate number of Service providers widespread geographically.

Source

IRDAI issued circular regarding online system for registration / renewal of broking licenses.

Back

Global News

China: Govt considers getting retirees to pay health insurance fees – Asia Insurance Review

China is studying the possibility of getting retirees to pay for medical insurance premiums, as a way to tackle rising pressure on the national health system. In an article for Seeking the Truth, the official Communist Party magazine, Finance Minister Lou Jiwei said the that the government should look at the option, reported the China Daily. Unlike in most countries, retirees in China do not pay for health insurance. The national insurance system currently has a surplus of CNY673.2 billion (US$103 billion), a figure that has continued to rise in recent years, from CNY495 billion in 2012 and CNY579 billion in 2013. Yet experts warn that China's rapidly aging society means a deficit will occur if expenditure keeps rising at the current pace.

"In the West, the biggest threat to national health insurance systems is an aging population. But in China, besides that factor, pressure also comes from the fact reimbursement levels need to be increased-and that means retirees need to contribute," said Lin Shuanglin, director of the China Center for Public Finance at Peking University. However, asking pensioners to pay insurance fees will likely face public opposition. The Finance Minister's comments have already been criticised online, particularly as retirement income for some segments of the population is considered inadequate.

Retirement protection

A recent study shows that more can be done to increase retirement income. Corporate annuities and commercial insurance, which should be important components of the retirement protection system in China, lack penetration among employees, according to a report on research on pensions carried out in 36 cities.

The report was jointly released by the China Insurance Association, the Social Security Institute, the China Social Security Research Center (Chinese Academy of Social Sciences), the China Financial Information Center, and Pingan Insurance Company.

Only 33.5% of the 5,400 employees surveyed said that they are part of corporate annuity plans, and 41.3% said that they are covered by the government-run old-age insurance. Also, 38.3% said their employers do not provide critical illness insurance, commercial accident insurance, commercial supplementary medical insurance, and long-term care insurance. State-owned enterprises have the most pension reserves, while privately held companies have the least.

Source

Back

Indonesia: Insurance industry upbeat about prospects this year – Asia Insurance Review

Indonesia's domestic insurance industry and financial regulators expect insurers to maintain premium revenue growth and improve investment this year, as volatility in both stock and bond markets had previously affected performance. The Financial Services Authority (OJK) Commissioner for non-banking financial institutions, Mr Firdaus Djaelani, said that the agency projected that the domestic insurance industry would experience an improvement in 2016 thanks to a positive economic growth outlook, reported The Jakarta Post.

“We have found that, among insurers, there is a general assumption that the previous global uncertainty has started to stabilise,“ he said, adding that this year will show an improvement. According to him, there had been a positive reaction towards the US Federal Reserve's decision last month to increase its interest rate, the first in almost a decade. “The financial market is predicted to have calmer reactions ahead so we hope this will have a positive impact on the insurance industry,” he said.

A decline in the value of the rupiah and stock prices have had an impact on the solvency of some insurance firms, prompting the OJK to set a series of temporary measures last year to ease their hardship. On 25 August last year, the rupiah weakened to 14,000 against the US dollar for the first time since the 1998 global financial crisis, while the Jakarta Composite Index (JCI), the main price indicator on the stock exchange, lost almost 4%. Following on from this, the OJK decided to relax certain regulations, including those set for risk-based minimum capital, allowing insurance companies to meet a mere 50% of the minimum capital requirement. Mr Firdaus said that the temporary measure, which expired at the end of 2015, had been expected to help insurance firms improve their positions gradually, as opposed to obliging them to periodically inject increasing amounts of capital.

Life insurance

Mr Hendrisman Rahim, Chairman of the Indonesian Life Insurance Association (AAJI), is optimistic that life insurance companies would show a 20-30% growth in 2016 in premiums due to plans to recruit more insurance agents, with an aim to boost industry penetration. Mr Hendrisman said that the optimism is based on the country’s demographic bonus and the low penetration of insurance but added that premium growth would probably not be able to exceed 30% this year due to the lack of capacity within the industry for penetrating the lower segments of the population.

He also said that due to an increased number of new joint venture companies as well as the first-phase implementation of the ASEAN Economic Community (AEC), the life insurance industry would face some challenges, including a rise in competition at both the domestic and regional level. The country’s life insurance industry recorded a 16.7% growth in new premium income to IDR57.6 trillion (US$4.14 billion) for the January-September period last year, a bounce back after having declined by nearly 10% in 2014. The existing premium income of life insurers rose by 15% to IDR43.21 trillion year on year as of September, thereby raising total premium income to IDR100.80 trillion, a 16% increase.

General insurance

Meanwhile, general insurance premium growth is expected to show an increase of between 15% and 20% in 2016 due to optimism within the industry with regard to the country’s economic outlook. Indonesian General Insurance Association (AAUI) Chairman Mr Yasril Rasyid said that marine hull insurance would probably contribute the highest growth this year, hinting that this line of business would benefit from the government’s maritime programme boost. There is room to grow this year as there is an expected increase in economic growth accompanied by strong support from the government in infrastructure as well as policy relaxations, such as a low down-payment for vehicles, he said.

However, he said, some challenges would continue to linger as general insurers are predicted to see moderate growth in property insurance, while a negative outlook would continue for vehicle protection products due to lower automotive sales prospects. For the nine months to September 2015, Indonesia's general insurance industry booked a 10% growth to IDR42.3 trillion in premium revenue, from IDR38.5 trillion in the same period in 2014. The 10% growth had been lower than the 14.8% increase for the same period in 2014 due to the country's sluggish economy.

Source