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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"Life isn't about finding yourself. Life is about creating yourself"

George Bernard Shaw

INSIDE THE ISSUE

Insurance Industry

Insurers get CSC channel to sell products in rural areas - Financial Chronicle – 19th April 2015

In a bid to increase insurance penetration in rural areas, the IRDAI has come out with draft norms allowing insurance companies to tie-up with common service centres (established under the national e-governance plan) to offer policies.

As per the draft guidelines, IRDAI would grant a registration certificate to CSC e-Governance Services India to act as an intermediary to market specifically-approved insurance products through the rural authorised persons (RAP) also referred as to village level entrepreneurs under the CSC scheme.

There are more than one lakh CSCs established under the plan, which are distributed across 6.5 lakh villages. The CSCs work towards delivery of government, financial, social and private sector services in the areas of agriculture, health, education, entertainment, FMCG products, banking, insurance, pension and utility payments etc.

As per the proposed norms, life insurance companies can offer non-participating, non-linked variable insurance products with regular premium payment, pure term insurance products with regular premium payment through CSCs. General insurance companies have been allowed to offer personal accident insurance, cattle/livestock insurance, agricultural pump set insurance, farmer's package policy and fire allied peril dwellings insurance. The maximum sum insured allowed in all products except motor policies is Rs 2 lakh.

Sanjay Pande, executive director of consultancy firm Amicus Advisory told Financial Chronicle, "Only one special purpose vehicle (CSC e-Governance Services India) has been licensed as an intermediary for more than one lakh CSCs across the whole country which will deliver services through rural authorised persons. As a result, the span of control of the special purpose vehicle will be far wider and it would be impractical to hold them responsible for everything done by RAPs at the village level. Why can't the IRDA directly allow RAP to sell insurance policies directly without coming under the umbrella of special purpose vehicle?"

The regulations state that all products sold through the CSCs have to be filed and approved by the regulator. "Currently the whole range of products that are being sold through rural agents can be also sold through CSCs. There is no need to have a separate set of products," added Pande. Head of a top private non-life insurer told FC, "The CSC model should allow all kinds of products but these regulations are not allowing health insurance, two wheelers and tractor insurance which is very much a requirement."

As per the proposed norms, since the special purpose vehicle will be the licensed intermediary, the commission on a policy sold would go to the special purpose vehicle that would then distribute 80 per cent to the RAP and retain the remaining 20 per cent.

Adds Pande, "The commissions on such ticket-size policies are very small and selling would require a lot of effort from RAP therefore giving 80 per cent of the commission to RAP might not be enough. IRDAI should allow 100 per cent of the commission to be given to RAP while the overhead of SPV and CSCs could be met through the fees generated through the additional services they are providing."

SPV and CSC are respon sible for providing services related to policy and claims and procurement of business. Product specific training process has to be set in place by the insurer for training of the RAPs.

Source

IRDAI Regulation

Govt to launch 2 insurance schemes - The Statesman – 21st April 2015

The central government is expected to launch in May or June the two insurance schemes announced by Finance Minister Arun Jaitley, said a senior official in Insurance Regulatory and Development Authority of India (IRDAI). He said IRDAI will soon come out with regulations governing the commission payable by the insurers and their management expenses.

The two schemes -- Pradhan Mantri Jeevan Jyoti Bima Yojana (life insurance policy) and Pradhan Mantri Suraksha Bima Yojana (personal accident policy) which are not government-subsidised programmes are expected to increase the insurance penetration in the country. Speaking at an event organised by the Madras Management Association (MMA) here late on Monday DD Singh, member (distribution) IRDAI said: "The two schemes are likely to be launched in May or June. Already some banks have started collecting enrolment forms."

Under the life insurance policy, a person will be covered for Rs.200,000 for an annual premium of Rs.330. The personal accident insurance provides cover for Rs.200,000 for accidental death and full disability and Rs.100,000 for partial disability for an annual premium of Rs.12.

On the issue of IRDAI coming out with new regulations which are in line with the amended insurance law passed by the parliament recently, Singh told IANS: "We will soon come out with the regulations governing payment of commissions and expenses of management." The old law had stipulated the ceiling on commissions paid to agents and management expenses of insurers. The new law has empowered IRDAI to prescribe the limits. "Our regulations will be for industry as a whole and the limits may not be for insurer wise," Singh said.

Source

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Life Insurance

CAMSRep posts 400% rise in e-insurance account business – The Times of India – 20th April 2015

Insurance repository CAMSRep has seen a 400% rise in its e-insurance accountbusiness, from 30,000 accounts during 2013-14 to 1.5 lakh accounts during the last fiscal. CAMSRep is one of the five insurance repository companies which have the mandate of opening e-insurance accounts as well as conversion of physical insurance covers to the digital format.

"Digitisaton of policies is extremely convenient especially at the time of claim settlement as customers don't have to battle with issues like loss of original policy etc," chairman of CAMSRep Dinesh Kumar Mehrotra said. Around six lakh e-insurance accounts were opened across the five repositories last year as against 60,000 during 2013-14. "Also with instances of calamities like floods on the rise in areas like Jammu and Kashmir, it's also beneficial to have the insurance policy in an electronic format," chief executive of CAMSRep SV Ramanan said.

Source

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Health Insurance

Health Insurance Cos' Capital Needs Likely to Come Down - The Economic Times (Mumbai) – 22nd April 2015

Health insurance firms may have a reason to smile. The capital needs for them may be pruned given that their claims liabilities are a lot smaller than what it is for an auto insurer, or a factory cover writer. The passage of the Insurance Bill has defined health insurance as a separate category. This would enable the sector regulator to frame different rules for health insurance companies.

Source

The Insurance Regulatory and Development Authority (Irda) is working on guidelines including on health insurance as well as investment and reinsurance. The regulator is expected to come out with 30 circulars in the coming months. “Irda has formed a committee on health insurance which is working on issuing different sets of rules for the health insurance segment, " said a committee member. "The committee is looking at different solvency norms, management expense and commission rates for health insurance. "

Like capital adequacy for banks, insurance companies need to keep aside capital as solvency margin -it shows the insurance company's ability to pay out claims. The regulator is considering using a risk-based capital method for assessing the solvency requirement for standalone health insurance. That means the solvency requirement could become lower than the current 150% of liabilities, excluding assets.

Last year, the regulator had issued guidelines on standardization in health insurance such as definitions for commonly used terms in health policies, nomenclature and procedure for critical illness, pre-authorization and claim form. It had also issued a list of excluded expenses in hospitalization, and other items.

There are five standalone health insurance companies, while another, Birla MMI Holdings, has filed an application with the regulator. With the amendment to the insurance law and the move increasing the limit for foreign investment in the sector to 49%, insurers expect innovation and expansion in product offerings.

Some companies have asked for a health insurance savings account. So far, health insurance has been clubbed with general insurance. Companies were allowed to launch annual products. Now, as it is a separate category, companies are expected to launch longer-tenure products. During 2013-14, gross health insurance premium collected by non-life insurance companies was Rs 17,495 crore, an increase of 13.21% from the previous year.

India's four public sector non-life insurance companies contribute 62% to the total health insurance premium. Private sector non-life insurers' share in premium was 26%, while the rest was from stand-alone health insurance companies.

Source

The capital requirement for setting up standalone health insurance companies has been kept Rs 100 crore in the amended insurance law. The industry had asked the government to lower this to Rs 50 crore.

Back

Solution to cashless treatment facility remains elusive – The Times of India – 21st April 2015

The deadlock over cashless treatment for health insurance policyholders continues, as the marathon meeting held between top ministry, insurance officials and hospital representatives here on Monday failed to yield a solution. The meeting, however, was instrumental in bridging the communication gap between city hospital owners and top officials, with hospital owners being able to air their grievances and demands.

"The authorities took stock of our difficulties. We told them that we have not received a satisfactory response as to on what grounds hospitals are graded and classified. They told us that they would look into the issue. They told us that an amicable solution needs to be found in public interest. But over all, the meeting failed to yield any solution to the current impasse over cashless facility," said Manjusha Kulkarni, secretary of the Association of Hospitals, an umbrella organisation of 38 big hospitals in Pune and Pimpri Chinchwad.

Orthopaedic surgeon Nitin Bhagali of the hospital wing of Indian Medical Association (IMA) shared this view. "The authorities from the finance ministry and insurance companies gave a patient hearing to our grievances and understood our demands. The meeting may have failed to find a definite solution, but it has certainly bridged the communication gap between top ministry and insurance authorities and hospital owners. They also came to know about the ground realities in Pune."

N Shrinivas Rao, director (insurance), Union ministry of finance, A K Singhal, chief executive officer of General Insurance Public Sector Association (GIPSA), Vasant Krishna, general manager of National Insurance Company, and six divisional general managers from Chennai, Kolkata, Mumbai and Delhi attended the meeting with over 70 hospital representatives.

At present, only 10 of the 38 big hospitals in Pune have been offered 21% hike in the fixed treatment rate plan floated by public sector insurance companies. The remaining 28 hospitals covered by the Association of Hospitals have also demanded a 21% hike in treatment rates, as against the 7% hike offered to them by the third party administrators.

Of the 10 hospital, only Ruby Hall Clinic and Noble Hospital have signed the agreement so far. The remaining eight hospitals are in the process of completing the formalities. The other 28 big hospitals in Pune have not been offered any hike in treatment rates so far. Over 100 smaller hospitals have stopped providing the cashless treatment facility as they have not been offered any hike in treatment rates.

Public sector insurance companies — the New India Assurance Company, the United India Insurance Company, Oriental Insurance Company and National Insurance Company — sell nearly 80% of the health insurance policies in the country under the banner of GIPSA. They had floated fixed rates for various medical procedures in metros three years ago and are now extending them to Pune and other tier II cities.

All the four public sector insurance companies had published notices in newspapers on November 28 last year, in which they clearly stated that cashless facility should be provided to emergency and trauma cases even at hospitals which are not part of the preferred provider network (PPN).

Source

Back

General Insurance

Rajnath Singh wants proposed National Crop Income Insurance Scheme to be put on fast-track - The Economic Times – 23rd April 2015

Home Minister Rajnath Singh is pushing for fast-tracking the introduction of the proposed National Crop Income Insurance Scheme in the wake of farm crisis in the country. The scheme was mooted by him as agriculture minister in 2003.

Singh, heading an informal group of ministers to look into the farmer crisis, held a meeting on Wednesday with the Minister of State for Agriculture, Sanjiv Balyan, and bureaucrats of the ministry to finalise contours of the proposed insurance scheme for farmers. "The scheme is being finalised for introduction soon," a senior home ministry official told ET.

Singh as the home minister is taking keen interest in the same as he had mooted a similar scheme as agriculture minister in the Atal Bihari Vajpayee government in 2003 and even pilot runs had then begun. "But the UPA government shelved the scheme," an official said.

The proposed insurance project announced by the Modi government last year guarantees income to the farmer during fluctuating prices (he will have to bear loss of 20%), and during yield losses due to natural calamities, including drought or unseasonal rain 70-50% of loss would be paid by the government. It also brings all national insurance programmes under its purview and the government wishes to roll it out soon given the present crisis.

An Assocham-Skymet Weather study released earlier this month revealed only 19% of farmers have opted for crop insurance while among the rest, 24% said the facility was not available and 11% said they can't afford the premium. There have been five national schemes since 1985, and all have failed with farmers left with no safety net when crops fail, officials said.

Source

Back

IRCTC to offer baggage insurance for train passengers – The Times of India – 19th April 2015

Aiming at providing passengers more facilities for booking tickets online, IRCTC is planning to offer a new service of 'baggage insurance' for them. Under this, a customer will be offered additional services like insurance coverage for baggage while booking e-tickets on the IRCTC website.

As per the offer, the passenger can claim the insurance money in case of lost or theft of the baggage. The goods like laptop, mobile phone or any other valuable articles will be covered as part of the travel insurance package. The tie-up is being formalized with New India Assurance with the details being worked out.

"We are formalizing a tie-up with a leading insurance company for offering baggage insurance service to e-ticket customers," said a senior IRCTC official, adding that "a customer will be given an option to avail the insurance coverage, which will not be mandatory". The insurance premium will depend on the length of the journey and also the class of travel.

"We are trying to make the offer as the best travel insurance services for train passengers by including other options like hospitalization during the journey," he said. With over 2 million passengers travelling everyday and about 52 per cent opting for e-ticketing, IRCTC hopes that a significant section of passengers will opt for the insurance service. "It will be a win-win situation for both the customers and IRCTC," he added. Besides, the passengers are now offered e-catering and concierge services while booking tickets on certain trains and routes. "We are expanding the e-catering facility to more trains as many reputed eatery or joints have also joined the e-catering list," the official said.

In order to facilitate last mile connectivity to tourists and passengers, the IRCTC has launched concierge services at certain selected stations in metropolitan cities like Delhi, Mumbai and Kolkata on a pilot basis. The service aims to facilitate train passengers at the station in hiring a porter, getting information regarding running status of the trains, and arranging a taxi for dropping the passenger to his residence or hotel. The concierge service will be provided at all major stations including tourist destinations on railways network.

Source

Back

General insurance industry growth hits a 3-yr low, slows by 9.3 percent in FY15 - The Economic Times – 19th April 2015

Subdued new premium growth due to poor auto sales and lack of new projects have dented the general insurance industry's business expansion in FY 2015 to a three-year low of 9.3 per cent at Rs 84,715 crore, according to provisional data. The industry had grown by 13 per cent in FY 2014 to Rs 77,540 crore, according to the General Insurance Council data.

"Single-digit growth for the industry was due to slump in auto and non-execution of infra projects during the year gone-by," General Insurance Council Secretary General R Chandrasekaran said. As per the provisional figures compiled by the council, four public sector general insurers are likely to have grown to Rs 42,515 crore in FY 2015, which is a 10.1 per cent growth over the previous fiscal.

Twenty four private sector players continued to lag behind the public sector ones with a cumulative premium collection of Rs 35,150 crore, which is just 9.9 per cent growth over FY 2014.

Chandrasekaran said lower topline growth would have had its impact on the bottom line too as the year was marked by two major natural calamities--the Hudhud cyclone that hit the Andhra cost earlier in the year and killer floods in the Kashmir Valley.

The health insurance sector, dominated by half a dozen players, however, is likely to have grown at 30 per cent to Rs 2,946 crore in FY 2015. But if one excludes the specialised areas like agriculture and Export Credit Guarantee Corporation, the industry is likely to have grown by 10.6 per cent for the fiscal. In March alone, the industry grew by 13.7 per cent on an annual basis," said Chandrasekaran. New India Assurance however feels that the bad days are behind and is hopeful of the new fiscal saying the industry has bottomed out in FY 2015,

Source

Back

Insurance surveyors & loss assessors' numbers may decline - Business Standard – 20th April 2015

Insurance surveyors and loss assessors (SLAs) — who investigate and quantify the losses arising out of any incident — might see a decline in their numbers with the Insurance Regulatory and Development Authority of India (Irdai) increasing the size of claims for which their services will be engaged.

This is because of an expected business drop owing to smaller claims going out of their purview. SLAs are appointed to investigate, manage, quantify, validate and deal with losses (whether insured or not) arising from any contingency, and present a report on the same.

According to Irdai, the services of insurance surveyors and loss assessors can be taken only for claims above Rs 50,000 for motor insurance and above Rs 1 lakh for other products except motor. The Insurance Act, 1938, mandated licensing of SLAs for settlement of losses above Rs 20,000 reported under a policy of general insurance.

Policies with lower amount of claims will now be out of the ambit of SLAs, said experts. “Their business may take a hit due to this and some exits may be seen,” said the head of claims in a public general insurer. In its Insurance Surveyors and Loss Assessors Regulations, 2015, the regulator said the license of these entities would be valid only for three years. If there is an appeal, the insurance surveyors and loss assessors can move the Securities Appellate Tribunal against the decision of the Authority. Foreign investment allowed up to 49 per cent according to the rules of the Central government will be applicable for insurance surveyors and loss assessors.

"There is a dearth of surveyors and loss assessors. Now that they will be appointed only for larger size claims, renewal of licences may be impacted," said the chief executive of a mid-size general insurance company.

The responsibilities of surveyors and loss assessors include conducting inspection and re-inspection of the property in question to find the causes of the loss, extent of loss, nature of ownership, insurable interest, etc. They also conduct spot and final surveys and advise the insurer and the insured about loss minimisation, loss control, security and safety measures, to avoid further losses. The surveyors and loss assessors also look into the admissibility of the loss and observance of warranty conditions under the policy contract.

Source

In FY14, there were 535 fresh licences issued to surveyors and loss assessors, while 1,942 licences were renewed.

Back

Non-life insurance has a lot of catching up to do - The Financial Express – 16th April 2015

While general insurance in India has seen an 18% CAGR during 2005-14, when compared with global benchmark, its reach is still very low. For instance, home insurancepenetration is less than 1% vis-a-vis global benchmark of 95%. Personal health insurance, two-wheelers, SME and rural risk coverage are also substantially lower. India has the highest combined ratio across countries because of a higher claims ratio. As a result, the industry has delivered poor returns to shareholders.

Source

Back

Car owners may see faster claim settlement - Business Standard – 16th April 2015

Car owners might see faster claim settlement, with the insurance regulator proposing an increase in the limit for hiring external insurance surveyors.

The Insurance Regulatory and Development Authority of India (Irdai) has proposed the limit for appointing external surveyors be increased to Rs 50,000 for motor claims and Rs 1 lakh for other claims.

To settle claims up to these amounts, general insurance companies need not have to appoint an external surveyor. It can be done by an in-house surveyor. The earlier limit was Rs 20,000 for all claims. The new rule has both advantages and disadvantages, say experts.

The biggest advantage is that claims can be settled faster. According to Chandan Grover, vice-president, risk management and claims, Prudent Insurance Brokers, with many customers buying high-end cars, there has been an increase in the average amount of claims. But, due to the lower limit, insurance companies had to wait for external surveyors' assessment before settling.

"Surveyors are few in number and overburdened. Hence, getting an external surveyor's report for settling the claim used to cause delays. Now, insurance companies will be able to settle more claims using an in-house surveyor," he says.

Divya Gandhi, head, general insurance & principal officer at Emkay Insurance Brokers, also agrees the increase in the limit will ensure faster settlement of small claims and reduce cost for insurance companies.

"The number of claims, especially in private vehicles, have gone up as more people buy high-end cars. But insurance companies do not have enough surveyors," she says.

One reason for the shortage of surveyors is the low remuneration, says a senior official with a private general insurance company. However, as more claims get settled in-house, companies will need to ensure the in-house surveyors are qualified for the survey.

"Companies will have to ensure the surveyors they appoint are competent to negotiate with the workshop for repair costs. Otherwise, the owner might end up getting over-charged," Grover says.

There is also a possibility that the in-house surveyor, being a company employee, might be biased towards the company. He might try to save the company money by reducing the claim amount, Gandhi points out. In such cases, vehicle owners can approach the grievance redressal cell of the insurance company to review the claim. If that does not work, the next step is to approach the insurance ombudsman and then Irdai. If the dispute is still not addressed, he can can take the legal route by approaching a court of law.

A customer can also appoint a surveyor on his own expense and the second surveyor's report too is acceptable in the court of law, Grover adds. However, according to the insurance official, in case of private vehicles disputes are few. "With zero depreciation covers becoming popular, we don't see much disputes in private car claims," he says.

Source

Back

Bancassurance

Exclusive bank JVs with insurers may split – The Economic Times – 21st April 2015

Some joint venture insurance companies stare at the prospect of splitting, with the contours of profitability set to change if the regulator presses ahead with its diktat on bancassurance. Insurers such as MetLife and Dai-Ichi, which paid through the nose for partnerships with banks for their distribution, stand to lose if they alone do not benefit from the infrastructure.

Several banks had signed up joint venture partnerships on the basis that they will have an exclusive distribution arrangement. However, the regulator has proposed a cap on the amount that can be distributed through one insurance company.

"It's obvious that nobody likes to see a change in set rules after you start the game, and promoters of such joint ventures will be no different," said Girish Kulkarni, managing director and CEO of Star Union Dai-Ichi Life Insurance.

"In addition to commercial challenges, it destabilises softer aspects of partnership ecosystem, too. What will happen between them depends a lot on the balance sheet strength and operating scale achieved by JVs. Some may still stay together due to established comfort but it won't be the same for sure."

According to the draft proposal, banks should do about 90 per cent of the premium with any one insurer in the first year and the limit should gradually come down to 75 per cent and 60 per cent during the second and third years, respectively while the limit will be not more than 50 per cent from the fourth year onwards.

"Many of these partnerships will find it difficult to accept caps which go down to 50 per cent," said Amitabh Chaudhry, managing director and CEO of HDFC Life.

"There might be some players who are pure bancassurance companies where the foreign partner has entered on the premise of the bank's infrastructure being available and may have paid premiums to the Indian partner."

Many companies such as HSBC Canara OBC Life Insurance operate mainly through bancassurance channel. If suddenly this infrastructure becomes unavailable, the partners will need to have a relook at their business model, and then re-evaluate their entire future plans for the business. There are nine bank-promoted life insurance companies and four in the general insurance sector.

The Insurance Regulatory and Development Authority is working on mandating banks to adopt an open architecture under which they will have to sell products of multiple insurance companies.

The share of banks in the total individual new business went down to 15.62 per cent in 2013-14 from 16.18 per cent in 2012-13, according to Irda's latest annual report.

Irda has extended the deadline for giving feedback on the draft guidelines by a fortnight to April 24. This will help insurance companies without a bank partner such as Reliance Life and Bajaj Allianz find distribution partners with a wide network.

Source

IRDAI Circular

Source IRDAI issued a circular regarding submission of office filing applications through Business Analytics Project (BAP) - Non-Life Module to all CEOs of all non-life insurers.

Source IRDAI uploaded IRDAI (Appointment of lnsurance Agents) Guidelines, 2015- instructions to Insurers.

Source IRDAI uploaded Handbook on Indian insurance statistics 2013-14 on website.