Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

4th – 10th March 2016

● Quote for the Week ●

"Always bear in mind that your own resolution to succeed is more important than any other thing."

Abraham Lincoln

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Source

Insurance Industry

6 pc rise in complaints received by insurance ombudsman - Business Standard – 9th March 2016

Governing Body of Insurance Council (GBIC) received around 26,000 complaints in 2015 through 17 insurance ombudsman centres across the country, an increase of 6 per cent over the previous year, an official said today. The disposal rate also rose to 82.5 per cent from 60 per cent in 2014.

"Around 26,000 complaints were received by GBIC through 17 insurance ombudsman centres in 2015 as against 24,000 in the last year, thus showing an increase of 6 per cent," GBIC Secretary General Ramma Bhasin told PTI here.

"However, GBIC witnessed a disposal rate of 82.5 per cent in 2015 from 60 per cent in the previous year," she said, adding that most of the complaints received came from the health insurance sector.

GBIC was established under Redressal of Public Grievances Act, 1998, to set up and facilitate the institution of insurance ombudsman in the country. Insurance ombudsmen are appointed by GBIC from among retired civil servants, GMs of state-owned insurance firms and retired judges.

"Mumbai ombudsman centre handles the largest number of complaints. We have received over 25,000 complaints since 2013 when I assumed charge here," Mumbai centre's insurance ombudsman A K Dasgupta said.

"As of now, we have merely 150 pending cases of complaints with us," he added. A majority of complaints came from the health insurance segment, followed by motor and mis-selling of products, he said.

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Tieup with insurers not must for marketing firms - Financial Chronicle – 7th March 2016

Easing entry rules, insurance regulator Irdai has said that insurance marketing firms (IMFs) need not compulsory tieup with two life, two general and two health insurance companies.

An insurance marketing firm is an entity that is allowed to market insurance policies along with other financial products that are approved by financial sector regulators. This is an entirely new distribution channel for insurers. Previously, the same regulations prescribed that IMFs must have tieups with two life, two general and two health insurance companies at any point of time.

"However, such requirement may act as an entry barrier for applicants and also involve a lot of time to have tieup with six insurers. Therefore, it is decided that IMFs need not compulsory tie up with two life, two general and two health insurance companies. No insurance company shall restrict IMF from having tieup with other insurance companies," the Insurance Regulatory and Development Authority of India (Irdai) said.

The regulator also cleared the air on the remuneration issue. "Remuneration payable to the IMF by the insurer for solicitation of policies by the ISPs (insurance sales person) shall be treated as per the same terms of remuneration applicable to the brokers for the existing products. Insurers may specify the remuneration structure for IMF as an intermediary in the products which they file hereinafter," IRDAI said.

IMFs are understood to have a model akin to independent financial advisors in mutual fund industry. As per industry data, four entities - Teamhealth Insurance Marketing, Six Sigma Financial Solutions Insurance Marketing, BellWether Insurance Marketing Firm LLP and FuturisticLife Insurance Marketing Firm LLP - are registered with IRDAI as IMFs.

With a minimum capital requirement of Rs 10 lakh, insurance marketing firms are permitted to set up offices only in one district of its choice. However, at the time of renewal of registration, the insurance marketing firm can apply for more areas. India is poised to have the fastest growing life insurance market in the world, with premiums expected to grow at a Compounded Annual Growth Rate (CAGR) of 12-15 per cent over the next few years.

Source

Back

FDI in services sector up 85.5% in Apr-Dec - Financial Chronicle – 6th March 2016

With the government taking steps to improve ease of doing business and attract foreign investment, FDI inflows into the services sector grew by 85.5 per cent to $4.25 billion in April-December period.

The sector, which includes banking, insurance, outsourcing, R&D, courier and technology testing, had received foreign direct investment (FDI) worth $2.29 billion during April-December 2014, according to the Department of Industrial Policy and Promotion (DIPP).

The services sector contributes over 60 per cent to Indian GDP. FDI in the sector accounts for 17 per cent of the country's total foreign investment inflows. The other sectors where inflows have recorded growth are: computer software and hardware ($5.3 billion), trading ($2.71 billion), automobile ($1.78 billion) and chemicals ($1.19 billion).

In step with growth in FDI in important sectors like services, overall foreign inflows in the country rose by 37 per cent to $39.32 billion during the first nine months of 2015-16. The amount was $28.78 billion in the year-ago period. An official said with the government further liberalising foreign investment policies for the services sector in the Budget, more inflows would come.

Finance minister Arun Jaitley has proposed significant liberalisation of FDI norms in a host of sectors including insurance, pension, ARCs and stock exchanges.

In the insurance and pension sectors, foreign investment will be allowed through automatic route for up to 49 per cent subject to the guidelines on Indian management and control, to be verified by the regulators. Earlier, foreign investment up to 26 per cent was allowed through automatic route.

Foreign investment is considered crucial for India, which needs around $1 trillion for overhauling its infrastructure sector such as ports, airports and highways to boost growth. A strong inflow of foreign investments will help improve the country's balance of payments situation and strengthen the rupee value against other global currencies, especially the US dollar.

Source

Back

IRDAI Regulation

IRDAI issues guidelines on trade credit insurance - The Economic Times – 10th March 2016

Irdai today said an insurer should necessarily assess the credit risk of any buyer who contributes more than 2 per cent of the total turnover of the policyholder while revising guidelines regulating the credit insurance business.

The insurance regulator said that in the recent times, changes in economy, especially in micro, small, medium enterprise sector, have increased the need for trade credit and has enhanced the scope for the credit insurance sector, manifold.

Therefore, in order to give fillip to the growth of credit insurance market, Irdai said it is necessary to revisit the 2010 guidelines which regulate the credit insurance business in India.

"A trade credit insurance policy shall not be issued to banks/ financiers/ lenders... An insurer shall necessarily assess the credit risk of any buyer who contributes more than 2 per cent of the total turnover of the policyholder," said the revised guidelines.

Listing out the conditions for trade credit insurance, it further said a trade credit insurance policy should not be issued to banks, financiers or lenders. "A trade credit insurance policy can be sold to seller on whole credit turnover basis only, covering all buyers. "However, if the seller prefers to take credit insurance cover for a particular segment/product/or country, the same shall be allowed provided the cover is taken for the whole credit turnover of all buyers of that particular segment/ product or country," it said.

Also, a trade credit policy should not grant an indemnity of more than 85 per cent of the trade receivables from each buyer. A policyholder should be obliged under the policy to notify adverse information about the buyer to the insurer, said the guidelines which supersede the 2010 norms. Trade credit insurance means insurance of suppliers against the risk of non-payment of goods or services by their buyers against non-payment as a result of insolvency. Irdai also insurer should have internal risk management guidelines to assess "trade credit risk on the buyer, giving credit limits on the buyer and buyer credit limit review".

Source

Back

IRDAI asks finmin to fix tax anomalies in annuities - The Economic Times – 5th March 2016

The government's proposal to tax Employee Provident Fund (EPF) nudges savers into buying annuities, which yield a lower return than government bonds or tax-free bonds. The Insurance Regulatory and Development Authority of India (IRDAI) has written to the government highlighting some of the anomalies that come in the way of insurance companies offering better return on annuities.

The Budget proposes to tax 60% of the proceeds of the EPF at maturity. However, this tax can be avoided if the employee chooses to buy an annuity from a life insurance company. An annuity is a plan where the investor receives a steady stream of income against an upfront payment. Today, the biggest downside of buying a pension plan is that the annuity returns are not comparable with tax-free bonds or even government bonds.

Take, for instance, Jeevan Akshay VI annuity plan purchased from LIC for 15 years on retirement with a return of premium. The yield on this is around 7.11%. Compared to this, purchasing a government bond of equivalent tenure would generate a yield of close to 8%. Hudco's tax-free bonds which were on sale this week offered a return of 7.69% on 15-year bonds. Also, the amount paid out by way of annuity is taxable.

The IRDAI, in its letter to the finance ministry, has said that any individual who buys an annuity policy ends up paying service tax on the purchase price. Although the Budget has reduced the service tax on annuities from 3.5% to 1.4%, it still higher than the zero service tax that is applied when the National Pension Scheme buys annuity on behalf of account holders. What this means is that if anyone has saved Rs 10 lakh until retirement, Rs 14,000 would be deducted upfront towards service tax.

This is not the only anomaly. When an individual saves towards a pension plan under a life insurance pension plan, the tax breaks are part of the Rs 1.5 lakh relief under section 80C of the Income Tax Act. This section encompasses all possible savings including EPF, long-term bank deposits, principal repayment on home loan, tuition fees and life insurance premium. Most individuals more than exhaust their headroom under 80C. But contributions to the NPS gets additional tax breaks of Rs 50,000 outside 80C. The other negative for the insurance industry in the Budget is the lowering the threshold limit for tax deduction at source on insurance commission to Rs 15,000 from Rs 20,000 earlier.

Source

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Life Insurance

Private life insurers see surge in ULIP surrenders in FY15 - The Hindu Business Line – 9th March 2016

Private life insurers have seen a rise in surrender of unit-linked insurance plans (ULIPs) as volatile equity markets have prompted policyholders to exit these schemes.

According to the annual report of the Insurance Regulatory and Development Authority of India (IRDAI), private life insurers saw a 12 per cent increase in insurance policy surrenders at Rs. 53,163 crore in 2014-15 compared with Rs. 47,294 crore a year earlier. Further, for these insurers ULIPs accounted for 91 per cent of the policies surrendered.

According to Sujoy Manna, AVP-Products, HDFC Life, "As insurance companies wrote more new business premium over the years and as the mandatory lock-in periods of previous polices underwritten expire, the amount of surrenders in total value goes up. Private insurers have a higher share in surrenders as they have been underwriting more ULIPs."

Industry sources said that private insurers were selling higher number of ULIPs prior to 2010 and for most of these policies the lock-in period of three years has expired. Hence, many policyholders are surrendering their ULIPs as there is no penalty after expiry of the lock-in period.

LIC bucks trend
However, Life Insurance Corporation of India (LIC), the country's largest insurer, saw a 21 per cent decline in surrenders at Rs. 46,538 crore in 2014-15 against Rs. 59,627 crore in the previous year. Overall, the life insurance industry, which has seen a rise in surrenders since 2012, saw surrenders fall 6 per cent to Rs. 99,701 crore in 2014-15 from Rs. 1,06,921 crore in the previous year, primarily due to the significant decline in surrenders at LIC.

Source

A senior official of the LIC said that the decline in surrenders can be attributed to the company selling ULIPs cautiously over the last three years following its decision to focus on traditional products which have been the mainstay of the company. LIC did not sell ULIPs in 2014 after the IRDAI brought in regulatory changes. It launched its ULIP product again only in August 2015 after a gap of 19 months.

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Single annuity market will take time to take off – The Financial Express – 4th March 2016

In order to develop a 'pension society' in India, finance minister Arun Jaitley in its third Budget speech announced reduction in service tax levied on annuities of insurance plans. Though insurance companies have by and large welcomed this move, they also feel that the current single annuity market is very small and will take many years to make it successful.

In the Union Budget 2016-17, it was announced that, to reduce service tax on single premium annuity (Insurance) Policies from 3.5% to 1.4% of the premium paid in certain cases with effect from April 1, 2016.

Typically, single-premium annuity plans help an investor earn a regular income for the entire life. In single-premium plans, investors pay a lump sum premium, and opt for a suitable annuity option that suits their requirements – it could be monthly, quarterly or yearly. Based on the opted annuity option and selected payout frequency, investors start receiving regular annuity income.

R M Vishakha, MD and CEO at IndiaFirst Life Insurance, says: "I think it is a very positive move, as annuities are primarily purchased by the retired people on the overall savings they have accumulated. As of now, the single-premium annuities market is not very large, but after maturities of National Pension Scheme (NPS) and superannuation schemes, it will be become very big."

Currently only a few life insurance companies provide single-premium annuities, and typically the minimum entry age in such category is 40 years. "Despite reduction in the service tax, I don't think single-premium annuity policies are likely to see demand because returns are very less compared to other debt products," said senior official of leading insurance company. Currently investors earn anywhere in the range of 5-7% in single-premium annuity policies. Not surprisingly, annuity products do not account for a high proportion of the insurance business. In FY15, a little over 17% of the total investment made by insurance companies in India was on account of annuities compared with 16% for unit-linked funds and 67% for life funds — the last two products are tax-free.

The finance minister, in his Budget speech, proposed that 40% of the withdrawals of the employees provident fund, NPS and other superannuation corpus will be exempt from tax, while investors need to buy annuities from the remaining 60%. "Reduction in service tax will give more money into the hand of investors and I think it's a fair move to develop the annuities market in India," says Gaurav Mashruwala, a certified financial planner (CFP).

According to the insurance players, despite single annuities market being small, state-run Life Corporation of India (LIC) is the biggest player in the segment and a reduction in service tax will help LIC to target more and more investors. LIC offers a monthly annuity of Rs 745 on a payment of Rs 1 lakh if bought at the age of 60 with no payments to be made after the subscriber's death. In case the payment has to be extended to the spouse, this monthly annuity reduces to Rs 644.

There was a slew of announcements made for the insurance sector in the Budget 2016-17. These include allowing general insurance companies to list on stock exchanges to launching a new health protection scheme, which will provide health cover. The finance minister also announced that foreign investment will be allowed in the insurance and pension sectors in the automatic route up to 49%.

Source

Insurers feel that the announcements made in this year's Budget are small steps that can lead to big development in a few years.

Back

Insurance council cracks down on fake agents – The Asian Age – 4th March2016

To combat the menace of frauds in the insurance industry estimated at six per cent of a company's total revenue, the Life Insurance Council has associated with Experian India to build a data repository and create a fraud monitoring framework for life insurance companies in India.

One company this newspaper spoke to said that it has filed over 150 FIRs against spurious insurance sellers. There are various kinds of fraud like deadman insurance, false applications and companies have undertaken campaigns to make people aware of frauds.

"We believe that this framework would help tighten the system, thus helping insurers save money on account of false claims," said Mr. V. Manickam, secretary, Life Insurance Council.

The insurance sector has grown at a compounded annual growth rate of around 20 per cent and with this there has also been an increase in frauds. With life insurance companies now being added to this framework, Experian will be able to pull out fraudulent applications or policy proposals quickly, said Mr Mohan Jayaraman, country manager, Experian India.

Under Section 45 of the Insurance Laws (Amendment) Act, life insurance companies cannot repudiate a death claim on the ground of mis-statement of facts or deliberate suppression of certain facts after three years from when it was effected. "This means the insurer has a three-year window to reject claims on grounds of any mis-statement or fraud. The repository would certainly help to control fraud risk that may emerge due to unauthorised use of this section," he said.

With 15 of the 24 life insurance companies already a part of this platform, this repository could help in reducing premium rates as insurers need not buffer for such losses, improving operational efficiency & bottom-line of insurers and in keeping bad elements out of the system, he said.

Experian which launc-hed Hunter Fraud Management Services for the life insurance sector in India said it would help these companies to be a part of the Hunter Closed User Group (CUG) for detection of life insurance frauds. It already has 43 banks sharing data in the CUG and using the Hunter services to identify potential fraudulent applications. Today, more than 50 per cent of retail banking applications are screened through National Hunter on a monthly basis.

Source

Back

General Insurance

Insurers bring in new home cover products - Financial Chronicle – 10th March 2016

General insurers plan to bring in medium to long-term policies to tackle the problem of home owners becoming reluctant to renew policies year after year. They also plan to introduce simpler products with add-on covers and settle claims quickly in order to make home insurance more appealing.

Post a natural calamity or manmade catastrophe, usually there will be a spurt in enquiries about home and home contents insurance and a certain number of these enquiries also convert into policies. But when it is time of renewals, home owners tend to forget the severity of the calamity and drop out.

ICICI Lombard is coming up with 10-20 year home insurance policies, in which the premiums can be either paid annually or at a go. SBI General Insurance has a policy of 15 to 30 year term to cover the house structure.

The insurer has also sought approval for a home contents policy that provides cover for three years. Bajaj Allianz too has a product which covers both structure and contents for three years.

"In case of home contents a long-term policy will not work as contents, especially electrical and electronic gadgets keep changing every three to four years. A three-year policy is good enough for home contents," said Puneet Sahni, head, product development, SBI General Insurance. According to him, home contents policy will be priced Rs 2,000 – Rs 2,500 for Rs 5 lakh cover. For the long-term policy for house structure, the insurer gives a discount of 50 per cent on the premium.

"Usually the home insurance policies sold in the market are priced Rs 3,000 to Rs 4,000 for a cover of Rs 20 lakh, which is reasonable in terms of pricing. However, there is a mismatch between actual pricing and the perception about pricing among the customers," said Sanjay Datta, chief, under-writing, claims and reinsurance, ICICI Lombard.

Source

ICICI Lombard has recently come out with a survey, which finds that 59 per cent people think home insurance premium is expensive. Almost 31 per cent of the respondents also found that the information about the products was not sufficient. "Home Insurance is certainly not expensive. It is rather one of the most reasonably priced products. There could be greater efforts on the part of the industry, both Insurers and intermediaries to propagate the product," said Easwara Narayanan, chief operating officer, Future Generali India Insurance

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Mandatory motor cover to cost 25-30% more from April 1 - Financial Chronicle – 6th March 2016

Your motor insurance could cost more starting next financial year as Irdai has proposed a hike in third party premium rates. The regulator has proposed a 25-30 per cent hike in premium rates of third party cover for private cars. The premium for private cars (not exceeding 1000 cc) will go up from Rs 1,468 to Rs 1,908, a rise of 30 per cent. The hike is 25 per cent for cars exceeding 1000 cc (engine) but not exceeding 1500 cc. The hike would be the same for those exceeding 1500 cc as well, according to the proposal by the Insurance Regulatory and Development Authority of India (Irdai)).

Third party motor insurance covers legal liability for the damage caused to a third party only — bodily injury, death and damage to the third party property while using one's vehicle. It does not cover the car's owner or the motor vehicle.

For two-wheelers not exceeding 75 cc, Irdai had suggested about 10 per cent hike in premium (from Rs 519 to Rs 569). For those two-wheelers exceeding 75 cc but not exceeding 150 cc, the premium may go up by 15 per cent and for those exceeding 150 cc but not exceeding 350 cc, the rise will be 25 per cent. However, for engines exceeding 350 cc, premium will fall by 10 per cent (from Rs 884 to Rs 796). For goods-carrying public carriers (from over 12,000 kgs to over 40,000 kgs), the premium hike could be 15-30 per cent. For goods-carrying vehicles private carriers, the premium will fall by 10 per cent for those not exceeding 7500 kgs.

As per Irdai proposal, the premium rates of four-wheeled vehicles used for carrying passengers (for hire or reward) with carrying capacity not exceeding six passengers will go up by 25-30 per cent. The premium for three-wheeled vehicles used for carrying passengers (for hire or reward) with carrying capacity not exceeding six passengers will also go up by 30 per cent. However, e-rickshaws will see only 5.5 per cent rise.

For motorised three-wheeled passenger vehicles used for carrying passengers (with carrying capacity exceeding six passengers but not exceeding 17 passengers), Irdai has proposed hiking premium from Rs 3,196 (basic TP premium) to Rs 4,155, a rise of 30 per cent. The quantum of proposed TP premium hike is 25 per cent for three-wheeled passenger vehicles used for carrying passengers (for hire or reward with carrying capacity exceeding 17 passengers).

"The authority has made use of the data supplied by the Insurance Information Bureau of India (IIBI) for the experience period of the underwriting years (i.e. policy years) from 2007-08 to 2014-15 in respect of number of policies, number of claims reported and amount of claims paid up to March, 31 2015," Irdai said.

Source

"Insurers may also like to give their specific suggestion on the quantum of discounts in premium rates for each class of vehicle in the event of issuance of electronic policy through the insurance repository system," Irdai noted.

PM crop insurance in UP from July – The Times of India – 4th March 2016

Uttar Pradesh will implement the Pradhan Mantri Fasal Bima Yojana this year, the Uttar Pradesh govrnment announced on Thursday. In a meeting chaired to prepare UP to roll out PM Narendra Modi's crop insurance scheme, agriculture production commissioner Pravir Kumar said farmers must sign up for insurance for the Kharif season-July to October by July 31-and for the Rabi season, by December 31, this year.

Insurance of all crop loans will be mandatory, while beneficiaries can also insure non-crop loans on a voluntary basis. In addition to natural calamities, losses due to pests or other diseases, hailstorms, rains, and earthquakes, crops loans will also be insured against damage caused up to 14 days after the crops are harvested. Kumar said farmers will have to pay as premium, up to 2% on the sum insured for Kharif loans, and up to 1.5% for Rabi loans, while the remainder premium amount will be shared equally between the Centre and state governments.

Source

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India: Insurers want more than premium hikes to stem auto losses – Asia Insurance Review

Although motor insurance premiums will become more expensive, with the insurance regulator proposing increases of up to 30% in compulsory auto third-party (TP) liability insurance rates from 1 April, insurers want other action from the government to help them curb motor losses.As per IRDAI's draft proposal, insurance premium of all vehicles will see a hike of about 20-30% except for two-wheelers, reported the local media.

"Of course a 30% hike again falls short of what insurance actuaries would want - given the loss ratios are between 80-150% for general insurers in the country. To curb losses, what we need is not higher premiums but regularisation," said an IRDAI official.

Every April, IRDAI revises auto TP premium rates by 15-20% for the 28 non-life insurers which want to see higher increases as loss ratios remain high. But IRDAI says that the increases have to be gradual so as not to place a heavy burden on policyholders. Insurers are also lobbying for a cap on liability, geography and the time period within which a claim can be filed.

"There's no cap on the liability of the insurer, so the company might have to pay out anything from INR300,000 (US$4,454) to INR30 million on a TP claim on death or disability. Secondly, there's no cap on the time within which the claim should be filed. So if the accident happened in 2002, you could file the claim in 2012, 2022 or in 3002 - which is ridiculous - but that's what has been happening since the 1989 amendment to the Motor Vehicles Act," Vinaya Kumar Nerella, Vice President of Toyota Tsusho Insurance Broker India told the Times of India.

The lack of geographical boundaries on third-party claims is another cause for concern. "We have seen accidents in Bengaluru and claims being filed in courts in Chennai or Mumbai. It costs so much for an insurance company to settle claims if we are sent from one corner to the other. We should be dealing with the case at the place of the accident; not a hundred miles from there — resulting in delay for the insurer, the courts and ultimately the victims," said Mr Vijay Kumar, CTO, motor insurance, Bajaj Allianz General Insurance.

Source

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India: New product filing rules to boost general insurance market – Asia Insurance Review

The insurance regulator's new "use and file" rules for new general insurance products, that are scheduled to take effect from 1 April, will boost growth in the sector but may also result in price increases in some products. The new regulations allow the marketing of corporate insurance products before regulatory approval, reported Press Trust of India.

"The new system would enable insurers to adapt faster to the requirements of commercial entities. All of these changes are positive, indeed path-breaking," ICICI Lombard General Insurance Managing Director and Chief Executive Bhargav Dasgupta said.

To adapt to the new system, insurers have asked the industry body, General Insurance Council, to prepare standardised wordings for insurance policies, New India Assurance Chairman and Managing Director G Srinivasan, who is also the chairman of the association, said.

Mr Srinivasan believes that the new rules will introduce more discipline to the general insurance industry improving the financials of the industry. The rules stipulate that general insurers have to operate with a combined ratio of below 100%. As a result, the industry should see rate hardening over a period of time, SBI General Senior Vice President, Marketing and Product Development, Gunjan Ghai said. This would likely improve the profitability of insurers as a whole, he added.

Mr Sasikumar Adidamu, Chief Technical Officer (Non-motor) at Bajaj Allianz General Insurance, said that the rules would lead to insurers adopting a more structured approach in product design, pricing and the management of operations throughout the entire product lifecycle. Under the new rules, pricing would require actuarial and technical justification that has to be approved by a product management committee, a special committee to be formed by the concerned insurance company, he added.

Source

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Survey & Reports

Life insurance scores over ULIPs: Study – The Times of India – 9th March 2016

A majority (64%) of Indians are still risk averse and prefer traditional insurance covers over ULIPs (19%), a study has revealed. In line with the study's findings that only one-fifth of people go for ULIPs over traditional policies - the study also found that Indians are predominantly risk averse and they invest more in bank deposits, gold, real estate and less on equity products.

Interestingly, about 59% of respondents were unclear as to what benefits their families would receive on the death of the policyholder. And as many as 68% of policyholders were unclear as to what benefits they'd receive on maturity of the policy. Another worrying aspect is that 64% policyholders needed the help of the interviewer before they were able to identify whether they held a life or health insurance policy, the survey conducted by FICCI and Canara HSBC Oriental Bank of Commerce Life Insurance Company said.
About 81% of respondents indicated that their operating bank account was within 3 km of their residence indicating that bancassurance has a large role to play in insurance penetration in the country, said the study which has interviewed 5,000 respondents in more than 30 cities. Banassurance is the selling of life insurance and other products by banking institutions.

Of the 5000 respondents, 4488 policyholders said that they had taken up an insurance policy through their bank; indicating that 60% were bancassurance customers. The need for bancassurance gains more ground, when the study found that more than half the respondents interviewed live in close proximity to their bank branch and have maintained a long term relationship with the branch.

As many as 72% respondents interviewed said that they have bought an insurance policy because the bank had approached them, indicating that bancassurance has emerged as an important insurance distribution channel in India. There also seems to a general apathy with regard to the promptness with which people take life insurance covers - with as many as 89% respondents saying that they took up a policy only after they were approached by their agent or bank.

It was found that people generally paid insurance on an annual basis (62%) with the average premium ticket size of Rs 13,000 and payments being made via their agent (38%) or the bank (34%). As to the reasons for taking life insurance, the need to save for one's future (75%) and providing security for the family (64%) were the top reasons for a life cover. Respondents, who didn't have a life insurance cover, said that they viewed insurance as a tax saving measure and as an umbrella against uncertainties.

Source

Back

India: 7% of homeowners have home insurance – Asia Insurance Review

Around 93% of respondents of a recent survey conducted by ICICI Lombard General Insurance do not own a home insurance policy. This is despite the fact that 62% of those surveyed were aware of the benefits of a home insurance policy, a company statement said.

The survey also revealed that most home owners did not feel the need to get their homes covered and 59% of the respondents said that they would buy a home insurance policy if the premiums were lower and the claims process was made easier.

The survey was conducted across a user base of 2,000, half of whom were in the age group of 36-40 years. 62% of the respondents acquired their homes only in the last three years.

"Home insurance, as a segment, is hugely under-penetrated. Although a home insurance policy can help ease the financial burden that arises out of severe disasters such as floods, storms, earthquakes and riots," ICICI Lombard chief Underwriting and Claims Sanjay Datta said.

A separate survey conducted on 1,200 people by Bajaj Allianz General Insurance last May, in metropolises like New Delhi, Mumbai, Kolkata, Chennai, Bengaluru, Hyderabad, Ahmedabad, Pune and cities like Jaipur, Surat, Nagpur, Jalandhar and Chandigarh, found that the demand for home insurance was low because people found the products and clauses complicated and difficult to understand. One reason for the complex insurance policy is that many insurers add on features and caveats to a standard fire insurance policy to make a packaged home insurance policy.

Source

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IRDAI Circular

Source

IRDAI issued exposure draft of Revision in Premium Rates for Motor Third Party Insurance Covers for the Financial Year 2016-17.

Source

List of Web Aggregators is available on IRDIA website.

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Global News

Indonesia: General insurance market forecast to grow by 20% this year – Asia Insurance review

The Indonesian General Insurance Association (AAUI) expects gross premiums in the non-life sector to grow by 15-20% this year, tripling last year's growth pace on the back of government infrastructure developments.

AAUI has projected that general insurance gross premiums will reach IDR58.9 trillion (US$4.5 billion) by the end of the year, the association's Chairman Yasril Y Rasyid said last week. The industry expanded by 6.7% last year to IDR55.2 trillion, in line with the slowing sales of cars, homes and apartments, reported the Jakarta Globe.

Mr Yasril noted the government has been pushing infrastructure projects this year, which is likely to increase demand for insurance.

"In addition, the gross premium would also increase because of People's Business Loan this year, which would reach IDR100 trillion to IDR120 trillion," he said, referring to a government programme that provides loans to small and medium-sized business.

Source

Back

Australia: Life insurers urged to show leadership – Asia Insurance Review

Insurers and banks must show leadership by banning commissions on life insurance, and a rigorous code of conduct has to developed by regulators for claims processing, says Industry Super Australia (ISA).

The call was made in a statement issued in the wake of the ongoing scandal involving Comminsure, the insurance arm of Commonwealth Bank of Australia, which is alleged to have adopted practices aimed at avoiding payouts to sick and dying policyholders.

“Banks and insurance companies must now show the necessary leadership,” said Mr David Whiteley, ISA Chief Executive. “These scandals are causing harm to the Australian public, often when they are at their most vulnerable. It’s incumbent on the banks and insurance industry to place the interests of the public first.”

He highlighted that a report by the Australian Securities and Investments Commission (ASIC) in 2014 revealed extensive illegality in commission-driven sales and other cultural problems in the life insurance industry.

The banks and insurance companies spent 2014 unsuccessfully lobbying to remove consumer protections included in the Future of Financial Advice (FoFA) reforms.

“Now they’re trying to water down consumer protection measures in the Life Insurance Remuneration Arrangements Bill currently before Parliament so they can continue to structure their life insurance businesses to maximise profitability,” said Mr Whiteley.

“Rather than lobbying to reduce consumer protection, they should grasp the nettle of reform and demonstrate genuine leadership.”

In a submission to the Senate Committee examining the Life Insurance Remuneration Arrangements Bill, ISA says the reforms on offer fall hopelessly short in addressing the core problem of conflicted remuneration.

“Capping upfront commissions and reducing ongoing commissions may be an improvement on current practices but sends a message that commissions are acceptable in the life insurance market. They are not. Conflicted remuneration, if allowed to remain in any guise, will continue to undermine outcomes for consumers, as confirmed by a large body of evidence. We need reform that phases out commissions once and for all.

"In addition, it is critical that the regulator is given responsibility for the development of a rigorous code of conduct that will improve treatment of consumers including in claims processing. Currently, in conjunction with the government's legislative package, the industry has been preparing its own code, without any public consultation. This is totally unacceptable."

Source

ISA manages collective projects on behalf of industry superannuation funds in Australia. These projects include research, policy development, government relations and advocacy.

Back

Malaysia: General insurance GWP rises 2.3% to US$4.2 mln in 2015 – Asia Insurance Review

The general insurance Industry achieved 2.3% growth for 2015 with gross written premiums of MYR17.49 billion (US$4.23 billion). This was a slower rate compared to the 5.9% growth achieved in 2014, according to a statement released yesterday by the General Insurance Association of Malaysia (PIAM).

Motor insurance, the dominant line of business, grew at 2.1% and garnered a market share of 46.3% with GWP increasing to MYR8.1 billion from MYR7.9 billion in 2014.

The fire class surged 5.5% to reach MYR3.1 billion with the second largest market share of 17.8%. Other steady performers were the personal accident class (2.9% growth) with GWP of MYR1.30 billion while the marine, aviation and transit (MAT) class grew 2.6% to MYR1.70 billion. The miscellaneous class comprising bonds, liabilities, engineering and workmen’s compensation grew marginally by 0.8% to MYR2.31 billion.

Medical and health insurance (MHI) saw a negative growth of -4.0% with GWP of MYR966 million. This was largely due to a product rationalisation exercise by a member company which reclassified its MHI portfolio from the general insurance fund to its life insurance fund. Excluding this reclassification, MHI actually grew 15% in 2015. Under this scenario, the overall industry growth would have been higher at 3.2%.

The Net Claims Incurred Ratio (NCIR) reduced slightly from 56.7% in 2014 to 56.5% in 2015. Motor claims ratio remained high at 72% compared to 71.5% in 2014. NCIR for the other major classes were stable with fire recording 28.3% (2014: 28.8%), MAT 34.7% (2014: 33.9%), MHI 54.0% (2014: 57.4%).

Performance

The general insurance industry achieved a lower underwriting profit of MYR1,461 million in 2015 compared to MYR1,488 million in 2014. The motor class remained “mired in red” incurring heavier losses of MYR292 million from the MYR166 million loss the year before.

PIAM Chairman, Mr Chua Seck Guan, noted that the industry performance was largely within expectations. Earlier the industry had lowered its full-year growth forecast to between 3% and 4% after recording a 2.3% growth in the first half of 2015.

“The slower growth rate is not unique to the insurance industry alone," said Mr Chua. "Declining oil prices and volatile currency fluctuations have caused uncertainties in the operating environment. However, we are grateful for the robust nature of our insurance companies, made possible by the strict capital adequacy and regulatory requirements imposed by BNM. This has nurtured strong and well managed companies with strict and prudent governance benchmarks.”

He added: "The fluctuating currency rates have had a significant impact on the costs of replacement/spare parts of vehicles, machineries and properties. The imposition of GST together with the decision of Customs not to allow general insurance companies to claim Input Tax Credit (ITC) on motor claims costs has worsened the situation with far reaching implications across the industry." PIAM has appealed to the Ministry of Finance on the issue.

Motor

PIAM CEO, Mark Lim, said: "Total motor claims incurred by the industry remained exceedingly high at MYR5.29 billion. This works out to a staggering MYR14.5 million paid out by the insurance companies per day. On a positive note however, the number of vehicle thefts in the country has continued to decline. Total number of thefts for all vehicle types in 2015 was 24,906, an 18% decrease compared to 30,549 cases in 2014."

In this regard PIAM has commended the efforts by the Police, Customs and law enforcement agencies in combating the nationwide crime.

As in past years the industry's critical concern was the high rate of road accidents and fatalities in Malaysia. In 2015, Third Party Bodily Injury claims increased by 8% to MYR1,943 million compared to MYR1,805 million in 2014. PIAM noted that the majority of road accidents were caused by human errors. PIAM and its members organised a road safety campaign "Pledge for Road Safety" last October to inculcate good driving habits.

Source

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