



• Quote for the Week •

“Opportunity is missed by most people because it is dressed in
overalls and looks like work”

Thomas A. Edison

INSIDE THE ISSUE

IRDAI Regulation

News	Pg.
Regulation	1
Life	3
Circular	5
Global News	5

IRDAI issues fresh norms on insurance ads - Financial Chronicle - 19th August 2015

Country's insurance regulator IRDAI has issued fresh norms on insurance advertisements with an objective to protect the interests of the insuring public, enhance their level of confidence on the nature of sales material used and encourage fair business practices. It has asked companies to ensure that communications are clear, fair and not misleading whatever be the mode of communication. Insurers have been directed to use material and design (including paper size, colour, font type and font size, tone and volume) to present the information legibly and in an accessible manner.

"Sales material and advertisements are comprehensible in the light of the complexity of the product being sold. Brand names of the product as proposed in the File and Use application are adhered to. When issued in vernacular languages, the mandatory disclosures are also in the same vernacular language," IRDAI said in a master circular. All insurance advertisements must prominently state the availability of underlying element of 'Life Insurance Coverage' to clearly identify the product as an insurance product.

Where any insurance advertisement highlights the benefit of 'guarantees', a clear disclosure of the underlying conditions under which the guarantee operates must be made, wherever applicable. In all such cases, all the conditions (including cost of guarantee, charges) under which the guarantee operates need a prominent mention. If the underlying conditions are very elaborate, the text/wording on guarantee must be accompanied by the phrase "Conditions Apply" in a font that is at least 50 per cent of the font used to highlight the guarantee.

In respect of Unit Linked Life Insurance Products the actual asset mix of various underlying funds vis-à-vis the asset composition of approved asset pattern has to be placed on the web portal of respective life insurance companies at least on a half yearly basis. "Some companies have products with 0 per cent or 100 per cent (or more) allocation charges under ULIP products. These two situations are special in nature and hence in either case additional information is required in the undertaking to be given by the policyholder to avoid any confusion," IRDAI said.

IRDAI also specified that life insurance advertisements should not offer, as inducement, any award / reward points, discounts and rebates, except those approved by the Authority as part of product features, either from insurer directly or through arrangement with any third party involving any expenses / costs / outgo to the insurer. Listing out the 'dents', IRDAI said insurers should not use or denigrate names, logos, brand names, distinguishing marks, symbols etc., which may be similar to those already used by others in the market that may lead to confusion in the market place.

"The brand names of insurance products must not use terms or phrases that convey a fabricated sense of security," it said. Talking about internet promotions, the regulator said in case of communications on/through internet an insurer should ensure that the recipients/viewers have the opportunity to view the full text of the relevant key features; terms and conditions.

Source

On pesky calls, IRDAI said promotional activities through cold-calls shall be preferably by a licensed intermediary. In case it is done by other than licensed intermediary, responsibility of compliance with advertisement regulations and the related circulars/guidelines vests with the insurer/intermediary that has outsourced this activity. "The telephone caller shall take necessary steps to ensure that they do not intrude into the privacy of the receiver. They should disclose their identity and proceed to converse only after permission," IRDAI said.

[Back](#)

Irdai refuses any say to foreign partners - Business Standard – 19th August 2015

Foreign partners in insurance companies in India will have no final say on decisions pertaining to strategy and products, as the Insurance Regulatory and Development Authority of India (Irdai) has decided not to give them any additional rights when they increase their stake from 26 per cent to 49 per cent.

According to regulatory officials, as the Insurance Laws (Amendment) Act said all insurers would have "Indian management and control", there would be "no exclusivity granted to foreign promoters in areas such as appointment of chief executive officers, or to board positions, or even company decisions on strategy and products".

While the regulator might not bring out guidelines on Indian management and control, it would review individual agreements in detail when foreign insurers seek approval to increase stake from 26 per cent to 49 per cent. Sources said if the regulator found any 'control' resting with a foreign partner, a company might even have to make changes to the existing agreement.

For insurance companies, 'Indian management and control' has been a bone of contention. While foreign partners haven't been pleased with the inclusion of this clause in the insurance Act at the last moment, they have been awaiting clarifications on what rights they would get. A senior Irdai official said, "A foreign insurer increasing its stake from 26 per cent to 49 per cent does not mean it would have significantly higher rights than what it has currently. No top executive appointment or major company decision can be taken by the foreign partner, even though it will have a larger share of the company capital than what it does currently."

That would mean Indian promoters will appoint most board members, as also senior management teams. For strategic decisions to be passed, the consent of Indian promoter will be needed. Sources said the regulator would try to ensure no major decision was passed without Indian promoters' consent, nor senior management appointments decided by foreign partners.

The insurance Act allowed insurers to receive foreign direct investment (FDI) of up to 49 per cent, with Indian management control, though it did not define what that would mean. This required Irdai to clarify its stand on the issue and how it interpreted the provision.

The chief executive of a large private life insurance company said, "We understand the regulator will not bring out any guidelines on Indian management and control, as it does not wish to do so. However, when FDI-increase proposals come to it, it would ensure the foreign promoter doesn't have rights such as CEO appointments, or take a majority decision in any case."

According to Irdai norms, an FDI cap of 49 per cent is applicable to all Indian insurance companies. Also, they cannot allow aggregate holdings by way of total foreign investment in their equity shares by foreign investors, including portfolio investors, to exceed 49 per cent of their paid-up equity capital. They also have to ensure ownership and control are in the hands of resident Indian entities at all times.

While FDI proposals of up to 26 per cent of the total paid-up equity of owed through the automatic route, those seeking to raise total foreign investment to 26-49 per cent will require the approval of the Foreign Investment Promotion Board (FIPB).

The Competition Commission of India also has to approve such proposals, while a final nod would be needed from Irdai.

Sources said while the finance ministry made certain clarifications on confusion over FDI-foreign institutional investment, it has left it to Irdai to ensure no foreign entity directly or indirectly controls an insurance company in India, by way of voting rights, board positions or top management appointments.

Companies such as Aviva Life, Aegon Religare, Edelweiss Tokio Life and Bharti AXA had filed applications with the FIPB for increasing the stakes of their joint venture partners from 26 per cent to 49 per cent. So far, only Bharti AXA has received an approval in this regard.

Source

Several entities have been waiting for Irdai to define 'control and management' by Indians. There has been apprehension among foreign partners about voting rights and how these would turn out when they raise their stake. Sources said so far, their concern hadn't been allayed.

[Back](#)

Life Insurance

New database to keep track of claim duplications - The Indian Express – 20th August 2015

To prevent duplication of claims under the government's flagship life insurance scheme, the Life Insurance Council has set up a consolidated registry for life insurance companies to check on before processing claims under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). "Since the master policy for the scheme is done by banks, insurance companies need to verify that the person does not hold multiple policies while processing claims.

This will ensure that only claims of genuine policy holders are settled," said V Manickam, secretary general, Life Insurance Council. The move follows a directive by the Department of Financial Services in the finance ministry as well as concerns by life insurers to set up a centralised registry. Sources said the finance ministry has also asked the General Insurance Council to set up a similar database for the Pradhan Mantri Suraksha Bima Yojana (PMSBY) that provides an accident cover of Rs 2 lakh. "There have been concerns over some of the claims," said the head of a life insurance company, who did not wish to be named. Till now, the PMJJBY has received 1,184 claims while another 284 claims have been filed under the PMSBY.

Accordingly, an IT enabled registry has been set up by the Life Insurance Council through CIBIL. Upon receiving a claim, a bank can inform the concerned life insurance company, which can then approach the council to check on the claim before settling it. "Life insurers can access the database by paying a nominal fee of Rs 5," said Manickam, adding that the check was earlier being done manually. The automated database through CIBIL has been operational for less than a month.

Of the 24 life insurers in the country, 10 have signed up for the PMJJBY. Most claims belong to four life insurers — Life Insurance Corporation of India, State Bank of India Life Insurance Company, Star Union Dai-Ichi Life Insurance and IndiaFirst Life Insurance Company. However, a finance ministry official stressed that insurers have to settle all genuine claims. "We will review the entire claim experience over a period of one year," he said.

The two schemes were launched by Prime Minister Narendra Modi on May 9 this year to improve social security and insurance coverage in the country. The PMSBY provides a renewable on year accidental death cum disability cover of Rs 2 lakh to those between the age group of 18 to 70 years with a savings bank account at an annual premium of Rs 12 per year. Similarly, the PMJJBY is a renewable one year life cover of Rs 2 lakh to all savings bank account holders in the age group of 18 to 50 years, covering death due to any reason, for a premium of Rs 330 per annum per subscriber.

Source

[Back](#)

PM's cheap cover bleeds PSU bank-backed insurers - Financial Chronicle – 16th August 2015

Life insurance companies floated by public sector banks have witnessed profit erosion in the first quarter ended June 30 due to higher provisioning for future claims under the government's pradhan mantri jeevan jyoti bima yojana (PMJJBY). SBI Life Insurance, a subsidiary of State Bank of India (SBI), saw its net profit fall 16 per cent to Rs 202.35 crore from Rs 241.35 crore.

Similarly, IndiaFirst Life Insurance, a joint venture between Bank of Baroda and Andhra Bank, reported a loss of Rs 4 crore for the June quarter compared with a net profit of Rs 90 lakh during the corresponding period of the previous year. Losses of Star Union Daiichi Life Insurance, a joint venture between Bank of India and Union Bank, more than doubled to Rs 12.3 crore for the quarter compared with a loss of Rs 5.4 crore during the same quarter of 2014-15.

Speaking to Financial Chronicle, SBI chairman Arundhati Bhattacharya said, “We have made a provision of Rs 50 crore towards claims that may come from PMJJBY. As a result, SBI Life’s profit has been lower in the June quarter compared with the previous year.”

A total of 1,127 claims have been reported under PMJJBY till August 14. Public sector behemoth Life Insurance Corporation of India (LIC) has received 529 claims, IndiaFirst Life Insurance 206, Star Union Daiichi Life Insurance 182 and SBI Life 125, according to government data.

Insurers offering policies of private sector banks received very low claims. ICICI Prudential Life Insurance received one claim and Max Life Insurance received three claims, while Tata-AIA Life, HDFC Life, Birla Sun Life and Shriram Life Insurance did not receive any claim, government data showed. Out of the 23 private life insurance companies, only eight are offering PMJJBY.

RM Vishakha, managing director and chief executive officer of IndiaFirst Life Insurance, told FC, “We had projected a profit for June quarter, but had a loss on account of stamp duty on PMJJBY policies. Stamp duty is an expense going out of the profit and loss account. Out of the Rs 330 premium that a customer pays, the business correspondent gets Rs 30, while the bank gets Rs 10. Of the Rs 290 premium we get, we have to pay Rs 40 as stamp duty. I have so far insured 20 lakh lives and earned a premium of Rs 58 crore. I settled more than 200 claims in the first quarter, resulting in an outgo of Rs 4 crore.”

“While the claim ratio is not alarming, the direct impact in the first quarter was because of stamp duty. We, as well as the life insurance council, have written to the finance ministry asking for waiver of stamp duty on PMJJBY. Being a social sector scheme, we believe our request would be considered favourably. We have also established a good track record in settling claims and are committed to the scheme,” added Vishakha. Speaking about a higher number of claims reported by insurance companies of public sector banks, a senior insurance industry official explained, “The customer profile of public sector banks consists largely of low and middle income groups. Also, a major chunk of their customers are above 45 years. On the other hand, private sector banks have a much younger customer base from the middle income and affluent classes.”

The government has extended the last date for enrolling under the PMJJBY till September 30, and persons enrolling within this period would not be required to submit a certificate of good health. The government has kept the premiums low for PMJJBY so that more people enrol in these schemes.

The premium for PMJJBY, a renewable term life insurance cover of Rs 2 lakh to all savings bank account holders is fixed at Rs 330 per annum irrespective of a person’s age. Low premium has also exposed the life insurance companies to high level of frauds. With such a low premium, insurers and banks cannot underwrite the risk prudently. Any ailing person can enrol in PMJJBY without the insurer’s knowledge, as no medical tests are required.

Source

[Back](#)

India: Number of life insurance agents slides in 1H – Asia Insurance Review

The life insurance industry in India continues to be hit by high agent attrition rates with their numbers sliding to 2,007,000 at the end of June, according to data from the Life Insurance Council. In comparison, the number of agents stood at 2,177,000 at the end of June 2014.

The life insurance sector, which has 24 companies in it, had started the year with a total agency force of 2,067,000 but the net drain in agents in the first six months of 2015 was around 60,000. The life sector recruited 113,824 new agents but lost 174,564 who exited the industry during the six-month period, reported the Press Trust of India.

Source

The largest hit was taken by the state-owned Life Insurance Corporation (LIC) which lost 79,000 agents, but could add only around 50,000 agents during the reporting period. “The Corporation which has an agency force of 1,163,000 at present, wants to increase it to 1,500,000, LIC Chairman SK Roy had said previously.

IRDAI Circular

Source

IRDAI issued master circular on insurance advertisements to all Insurers.

[Back](#)

Global News

Bangladesh: 90% of life insurers bust spending limits – Asia Insurance Review

Twenty eight of the 31 life insurers in Bangladesh breached their respective limits on expenses last year, according to the Insurance Development and Regulatory Authority (IDRA).

The regulator has decided to hire an external auditor to examine the expenses of the life insurance companies before taking stringent actions against the violators, reported The Daily Star newspaper.

“We have failed to bring down the management expenses by moral persuasion. We'll now appoint an auditor to assess their costs,” Mr Shefaque Ahmed, Chairman of IDRA, told The Daily Star.

In 2013, only Metlife spent within the limits, but in 2014, two local insurers—Meghna Life and Rupali Life—joined the foreign insurer in complying with the limits.

Under the regulations, management expenses—which include commissions—are capped at 97.5% of first-year premiums, and if the insurance company has been in operation for 10 years, the ceiling is 90%. No company is allowed to exceed the expense limits in any calendar year. However, the penalty for a violator is a maximum of BDT500,000 (US\$6,430) which some observers say are not a sufficient deterrent.

Source

The limits were put in place by IDRA to protect policyholders' funds.

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