



• Quote for the Week •

**“There are two ways of spreading light: to be the candle
or the mirror that reflects it ”**

Edith Wharton

INSIDE THE ISSUE

Insurance Industry

News Pg.

Industry 1

Regulation 1

Life 3

Health 5

General 6

Reinsurance 8

Survey 8

IRDAI Circular 9

Global News 10

Insurance regulator mulls no fee for change in nomination – The Financial express

Observing policyholders' right to effect changes in nomination, sectoral regulator IRDA is proposing to do away with the practice of charging fee for such alterations by life insurance companies. The Insurance Regulatory and Development Authority of India in a draft on 'Fee for Registering Cancellation or Change of Nomination by the Holder of a Policy of Life Insurance', has invited comments from stakeholders by February 2, 2015.

“On a comprehensive review...it may be observed that the holder of a policy of life insurance has a right for effecting a nomination and for registering such nomination for the first time be it at the time of effecting the policy of life insurance or at a later time, no fee shall be charged by the life insurers,” said the exposure draft. Presently, life insurance companies have to give a written acknowledgement about registering a nomination or a cancellation or change thereof and are allowed to charge fee for registering such cancellation or change.

The exposure draft also proposes for no registration fee for a nomination and furnishing a written acknowledgement. Further, it said registration changes or cancellation of nomination may vary for policies kept in electronic format and there is need to treat these kind of policies differently in terms of levy of fee. “...registering the nomination or cancellation or change of nomination shall be regarded as important policy holder services.

“As such nomination helps even the life insurers to seamlessly discharge their liability in the event of happening of the contingent event covered under a policy of life insurance,” it said. The exposure draft has also proposed to fix the upper limit of fee allowed to be collected by life insurers subject to which life insurers will have the flexibility to decide in levying any lower amount. On the cost-benefit front, it said that there are no significant financial implications on insurers for effecting such changes. “...it is expected that the number of policies where a cancellation or the change of nomination is effected would be significantly less, therefore the financial implications of charging the fee for change or cancellation of nomination to the policyholder are also not significant,” it added.

Source

[Back](#)

IRDA Regulation

Insurance: Cover to cover - The Financial Express

To curb the mis-selling of insurance products and help consumers choose policies based on their needs, the insurance regulator has come up with draft norms on protection of policyholders' interests. The Insurance Regulatory and Development Authority (Irda) will make it mandatory for insurers to place all product information in the public domain. It has also said that companies will have to clearly define the conditions, along with products' benefits and riders. These regulations, which will apply to life, non-life and standalone

health insurers once notified in the official gazette, are in addition to any other regulations notified by the regulator.

“Prospects generally depend on the information, advice and guidance provided by the insurer, insurance agent and insurance intermediary in the purchase of insurance products. The insurer, insurance agents or the insurance intermediary shall provide a product prospectus to the prospect containing all material information in respect of a proposed insurance product to enable the prospect to decide on the best cover that would be in his or her interest,” says the Irda’s draft Protection of Policyholders’ Interests Regulations.

For each life insurance product, the insurer will have to clearly mention if it comes with or without profits, and the riders will have to clearly mention the benefits. “The prospectus of any insurance product shall clearly state the scope of benefits, the extent of insurance cover and in an explicit manner explain the warranties, exceptions and conditions of the insurance cover,” the draft regulations underline. They further state that every insurer will have to put in the public domain details of product offered as filed and approved by the regulator.

All life covers will have to clearly state the name of the plan, its terms and conditions, whether it is a participating or non-participating product and the basis of participation in profits, such as cash bonus, deferred bonus, simple or compound reversionary bonus. The policy will also have to mention the benefits payable and the contingencies upon which these become payable, details of the riders and the periodicity of the premiums payable.

The draft regulations say that the products offered must suit policyholders with respect to their income, personal and family circumstances, life stage, financial goals and risk appetite. They also state that the name and address of the agent/insurance intermediary should be mentioned in the policy document and premium receipts or in any such communication. The riders attached to a life cover will have to bear the nature and character of the main policy, such as participating or non-participating and, accordingly, the life insurer will have to make the necessary provisions in its books.

The draft guidelines state that if a sale is executed over distance-marketing modes such as the internet, SMS, mobile phone or other interactive electronic mediums, it will have to be undertaken by an authorised and qualified salesperson holding a valid licence. The insurer needs to ensure that life, general and health insurance agents and intermediaries sell only insurance products, including combi-products approved by the regulator.

The proposal for grant of insurance — life, non-life or health — must be kept in the written format. If a proposal form is not used, the insurer will record the information obtained orally or in writing and confirm it with the proposer within 15 days. Every policy will have to mention the 15-day freelook period, during which the policyholder can review the cover and return it stating the reasons. If the policy is returned during the freelook period, the insurer will deduct mortality charges for all linked products and repurchase the units at the price on the date of cancellation of the policy.

Moreover, as per the draft norms, insurers will have to formulate an awareness policy to educate customers, constitute a policyholder protection committee ensuring its proper functioning as well as create a grievance redressal policy. As far as claims are concerned, upon receiving the documents, the insurer will process the claim without any delay.

Claims against life covers will have to be paid or disputed, along with all the relevant reasons, within 30 days from the date of receipt of all relevant papers and clarifications. If the insurer feels that the circumstances of the claim need investigation, it will initiate and complete such investigation within 60 days from the time of lodging the claim. In cases where the claim is ready for payment but cannot be made due to identification issues of the payee, the life insurer will hold the amount and pay savings bank interest on the amount.

Services like recording a change of address, doing a new nomination or changing one, processing documents and disbursing loan against a policy will have to be done by insurers within 10 days of the receipt of intimation from the policyholder.

Analysts say the regulations will protect consumers from bogus claims often made by insurance agents or intermediaries.

What the draft guidelines say:

* For each life cover, the insurer will have to clearly mention if it comes with or without profits, and the riders will have to clearly mention the benefits

All life covers will have to clearly state the name of the plan, its terms, whether it is a participating or non-participating product and the basis of participation in profits

* The policy will also have to mention the benefits payable and the contingencies upon which these become payable

* The draft says the products offered must suit policyholders with respect to their income and personal circumstances

* The draft states that if a sale is executed over distance-marketing modes, it should be undertaken by an authorised and qualified salesperson holding a valid licence

Source

[Back](#)

Appointment of insurance agents - Business Standard

The Insurance Regulatory and Development Authority of India on Tuesday brought out an exposure draft for appointment of insurance agents. The regulator has asked insurers to check whether the prospective agent has been black-listed before he/she is appointed.

No insurer shall, on or after the commencement of the Insurance Law Amendment Ordinance-2014 appoint any Principal Agent, Chief Agent, and Special Agent and transact any insurance business through them. The regulator said no person shall allow or offer to allow to any person to take out or renew or continue an insurance policy through multilevel marketing scheme.

The designated official of each insurer has to exercise due diligence in verifying the agency application form and ascertaining from the applicant that he/she does not hold agency appointment with more than one life insurer, one general insurer, one health insurer and one of each of the mono-line insurers.

If there is an applicant who is aggrieved by the decision of the designated official regarding refusal of granting insurance agency, they can submit a review application to the insurer for review the decision. The insurer shall consider the review application of the applicant and communicate the final decision within 15 days of receipt of the review application from the applicant.

The draft said that no individual shall act as an insurance agent for more than one life insurer, one general insurer, one health insurer and one of each of other mono-line insurers. An applicant seeking appointment as a 'Composite Insurance Agent', has to make separate applications to the designated official of respective life, general, health insurance companies or mono line insurance companies as the case may be. Every agent has to pass an insurance agency examination as earlier. The pass certificate issued by the Examining body would be valid for a period of twelve months only.

IRDAI has also set up a code of conduct for all insurance agents which states that they should sell as per customer's needs, show accurate premium. Further, they are also required to ring to the notice of the insurer any adverse habits or income inconsistency of the prospect, in the form of a report called "Insurance Agent's Confidential Report" along with every proposal submitted to the insurer. The last date for submitting comments on this draft by stakeholders is February 5, 2015.

Source

[Back](#)

Life Insurance

Life insurance agents' number rises by 3% as Irda relaxes recruitment norms - Financial Chronicle

Reducing the minimum pass percentage for insurance agent's examination and allowing insurers to frame own persistency rules have helped life insurance companies to arrest the exodus of agents witnessed in the last three years.

According to the Insurance Regulatory and Development Authority (Irda) annual report 2013-14 released recently, the number of individual agents has increased by 3.1 per cent compared with a decline witnessed in 2010-11, 2011-12 and 2012-13.

The number has gone up from 21.22 lakh as on March 31, 2013 to 21.88 lakh as on March 31, 2014. While the private life insurers recorded an increase of 4.5 per cent, Life Insurance Corporation of India (LIC) showed an increase of two per cent. LIC had more individual agents than all private life insurers put together. At the end of 2013-14, the number of agents with LIC stood at 11.96 lakh against 9.92 agents with private sector insurers.

In 2013-14, while 7.25 lakh agents were appointed, 6.59 lakh were terminated. While private insurers appointed 3.83 lakh and terminated 3.40 lakh agents, LIC named 3.41 lakh and removed 3.18 lakh agents. In 2012-13, over 8 lakh agents were terminated.

“Even though there was a net increase in the number of individual agents, such high attrition may adversely affect life insurers’ business, policy persistency and public perception of the agency channel as a stable career. It is, therefore, in the interest of all the stakeholders to work on reducing the turnover of agents and build a stable and growing agency force,” Irda said. Mayank Bathwal, deputy managing director, Birla Sun Life Insurance, said, “Agent count has gone up due to stability in the external environment and regulatory regime.”

Subrat Mohanty, senior executive vice-president, HDFC Life Insurance, said, “In the last couple of years, insurers have been trying to bring back potential agents convincing them that most of the regulatory changes have been done and they can once again build a potential agency career. These efforts helped in 2013-14.”

To arrest the exodus of insurance agents, the regulator last year allowed life insurance companies to frame their own definition on persistency of policies. Persistency rate refers to the percentage of policy contracts still in force at the specified time interval after they have been issued and is calculated on the basis of premium as on number of policies. Better persistency is required for the insurance industry’s long-term sustainability and growth.

Source

[Back](#)

Life insurers to move Irda against Section 45 on claims - Business Standard

Life insurers are in the process of sending a proposal to the Insurance Regulatory and Development Authority of India (Irdai) about the issue of payment of claims within three years. The insurers will seek clarifications on whether all claims received will be payable after three years. Under Section 45 of the Insurance Laws (Amendment) Ordinance, no claim can be rejected after three years for any reason. This means, the insurer has a three-year window to reject claims on grounds of any mis-statement or fraud.

In the original insurance amendment Bill of 2008, it was proposed that no life insurance policy could be challenged on grounds of mis-statement or wrong disclosure after five years of the policy coming into force. In the Ordinance, this has been revised to three years. Insurers fear this might lead to a rise in litigations, because there could be different interpretations according to the legal system.

“Several organised cartels operate in the insurance space that file fake claims. As an industry, we do not want to pay claims that are not genuine and, hence, are approaching the regulator with our concerns,” says the chief risk officer with a bank-promoted life insurance company, who did not wish to be named.

According to industry estimates, several hundreds of thousands of claims are getting fraudulently passed by these cartels, which operate in gangs in select pockets across India. They pose as relatives of customers and get a policy issued. Usually, they also have a doctor as part of the group who gives out fake death certificates.

The concept of insurance works on the principle of pooling. This means, the money paid as premiums by the policyholders are pooled together to pay for any claim received by one or more members. If there are fraudulent claims, which are mandated to be paid by the insurer, these will impact all the other policyholders, as the claim amount goes out of their pool.

According to a senior life insurance executive, industry-wide losses due to fake claims being filed has been growing by 20-25 per cent annually.

Industry sources say they would seek some safeguards against such claimants. “If we are forced to pay such claims, it will only lead to increase in overall premiums as we also take into account the claims experience before fixing prices for any product,” said the chief actuary of a large private life insurer.

Source

India: Regulator looking at 60-day deadline to settle life claims - Asia Insurance Review

India's insurance regulator is looking to make it mandatory for companies to settle life insurance claims within 60 days, in a move that will provide relief to millions of claimants. Under this proposed rule, if a claim is not settled within 60 days, the beneficiary can take the insurer to court. Currently, the rules mandate that all claims have to be settled within six months, and most insurers stick to this limit but there have been several cases where it has been breached, reported Hindustan Times.

The Insurance Regulatory and Development Authority of India (IRDAI) has issued a draft circular to life insurers seeking their response to the proposal to reduce the claim investigation time. Insurance companies are, however, wary of the move. "In case there is an increase in claims which are not genuine and companies have no time to investigate them thoroughly, it would in the long run impact the industry," said a senior executive at a private insurance company on condition of anonymity.

Life insurance firms said most claims are resolved within a couple of weeks but about 15% of cases come under scrutiny due to lack of required documents or disputes. "In some cases, which require investigation, it does take months to check the authenticity of the claim, as sourcing information from various agencies like hospitals and police authorities can take time and is beyond the control of life insurance companies," Mr V Viswan and, senior director and chief operations officer, Max Life Insurance, told Hindustan Times.

[Back](#)

Source

Health Insurance***India: Individual business reports lower health loss ratio – Asia Insurance Review***

Individual health insurance customers continue to pay higher premiums despite a lower loss ratio compared to corporate clients and state governments which enjoy more favourable group rates from health insurers. The net incurred claims ratio for insurers from the individual segment was 83% for the fiscal year ended 31 March 2014, while it stood at 110% for corporate group covers and 93% for government health insurance schemes, reported the Financial Chronicle citing the 2013-14 annual report of the Insurance Regulatory and Development Authority of India (IRDAI) released recently.

The differences in pricing for individual and group covers, however, might not mean that group covers are being subsidised. A chief executive officer of a leading private non-life insurer told Financial Chronicle: "The pricing of retail health covers cannot be compared to group health covers. In group health covers, there are a lot of restrictions such as co-payment."

Also commenting on the issue was Mr Sanjay Datta, Chief - underwriting and claims, ICICI Lombard General Insurance, who said: "Loss ratios are not the ultimate determinant of pricing. While the net incurred claims ratio is lower in individual business, the commission and administrative costs are much higher compared to group health and government business." He added however: "There have been some pricing pressures in group health business and there will be some rationalisation."

The head of the standalone health insurance company, said: "The cost of sale is quite high in individual business at around 30%, around 20% on group covers and around 10% in government schemes. This is because agents are paid up to 17.5% commissions; add to this are training and advertising costs. On the other hand, brokers are paid around 5-10% brokerage fees and the administrative cost is 10%. In government schemes, there are no commissions to be paid and the sales cost is around 10%."

During 2013-14, the share of group health insurance business (other than government) was 46%. While individual business contributed 42% of gross health insurance premium, government business contributed the remaining 12%. Over the years, while the share of group health insurance business (other than government business) remains at around 46%, the share of individual health insurance business is rising compared to that of government health insurance business, said the IRDA in the annual report.

The four public-sector non-life insurance companies continue to contribute a major share of health insurance premium at 62%. This proportion hovered at the same level over the last four years. While private sector non-life insurers contribute 26% of the gross health insurance premium, the remaining 12% is generated by standalone health insurers.

Source

General Insurance

Soon, panel to firm up farmer insurance scheme - The Financial Express

The government will set up a committee within a week or so to firm up an insurance scheme this fiscal, aimed at ensuring minimum earnings for farmers, agriculture minister Radha Mohan Singh said on Tuesday. National Farm Income Insurance Scheme will, however, be implemented from the next fiscal on a pilot basis, he said after a meeting with ministers and representatives from 20 states. The scheme will provide insurance to farmers against loss of yield as well as a drop in prices of commodities. Currently, crop insurance products are based only on yield levels.

The proposed panel is likely to have state representatives and senior Union farm ministry officials as members. Singh said that while the committee will finalise the policy for the entire country, states will have the flexibility to firm up their own insurance models for farmers if they so wish, factoring in local conditions. However, any state wishing to do so has to get its model approved by the Centre, following which it will get aid for this purpose. While most of the burden of premium payments under the scheme will be shared by the Centre, farmers will have to pay around 25%.

Source

[Back](#)

Pvt General Insurers ready to join N-pool, await details - Business Standard

After receiving an invite from GIC Re to participate in the proposed Insurance Nuclear Pool, some private sector general insurers have evinced interest in joining the programme, even as they are awaiting the finer details before firming up their plans. After achieving the breakthrough in the US-India civil nuclear deal during recent visit of US president Barack Obama, General Insurance Corp. (GIC Re) had invited all the private sector players to participate in the Rs 1,500-crore proposed nuclear pool, half of which will be provided by all the four state-owned non-life insurers.

All the private sector general insurers PTI talked to have evinced interest to participate in the pool. GIC Re wants all the private sector non-life insurers to participate by contributing to the pool with a view to have a fair playground. Reliance General Insurance has indicated that it will be participating in the pool. However, it is waiting for details before it decides to what extent it should chip in with.

"We are likely to put in some money to the pool. However, we are waiting for more details about it from GIC Re," Reliance General Insurance chief executive Rakesh Jain told PTI. The biggest private sector non-life insurer ICICI Lombard has also made it clear that it would be participating in the pool. "As and when the final structure of the pool is prepared by GIC Re, we will be participating by contributing certain amount," ICICI Lombard head-underwriting and claims Sanjay Datta said. Commenting on the pool, he said "it's a local attempt to form a pool to generate capacity to underwrite nuclear liability."

Another private sector non-life insurer Tata AIG also confirmed of having received invite from GIC re for the same. "Yes, we've received an invite from GIC Re to join the the nuclear pool. However, we need to get the board approval," Tata AIG chief executive KK Mishra said. A GIC Re official said that for participation in the nuclear pool, we will not expect amount less than Rs 10 cr per company.

Source

[Back](#)

India: Postal Department targets rural insurance market – Asia Insurance Review

India Post is planning to widen its insurance space in the countryside, through a new insurance company. The proposed Post India Insurance will start with an initial capital of INR1 billion (US\$16.3 million) provided by the Department of Posts (DoP), reported Press Trust of India.

"DoP debated that the insurance penetration in rural India is minimal and a new vehicle is needed. Besides, the Department has decades of experience in this field and it can seamlessly adapt to new operations," a source said.

Besides selling its own insurance products, it will market the policies of other insurance players as a commercial agent, sources said. DoP already offers personal life and endowment insurance policies to government and semi-government employees.

The new moves are proposed following the findings of a task force set up last year by Prime Minister Narendra Modi to study leveraging the postal network in India and to enhance the role of India Post in financial inclusion.

The report says that in rural areas, there is a need for various types of insurances like crop insurance, accident cover, and insurance of farming equipment.

"Since India Post has been operating in the insurance sector for well over a century, there is no reason why it should not be allowed to extend the spectrum of its insurance services to these areas through agency agreements or a broker's licence," the task force said.

The report suggested that the government establish a holding company under the DoP for the immediate rollout of insurance, banking and e-commerce services by the 155,000-strong postal network.

India Post's life insurance business was started as an in-house life insurance scheme for postal employees in 1884 and is now available to all employees of the central and state governments, including the defence and paramilitary forces, employees of public-sector institutions, autonomous bodies and universities and government aided educational institutions. The scheme was extended in 1995 to all rural residents.

Source

[Back](#)

India: State-owned insurers to contribute to nuclear pool – Asia Insurance review

Five government-owned insurance companies will provide half the cover for a INR17.5 billion (US\$122.1 million) nuclear insurance pool, to support an Indian-US nuclear pact allowing New Delhi access to nuclear technology and fuel without giving up its weapons programme.

The five companies are General Insurance Corporation of India (GIC Re), New India Assurance, National Insurance, Oriental India Insurance and United India Insurance, Indian Foreign Ministry Joint Secretary Amandeep Singh said. The balance of the cover is to be provided by the government.

"The India nuclear insurance pool is a risk transfer mechanism which is being formed by GIC Re and four other public-sector undertakings in the general insurance business in India," Mr Singh said. "It is similar to 26 such international pools around the world. The details of the premiums are being worked out and the US has committed to work with India to share information and best practices on the formation of this insurance pool."

The pool will cover risks for both hot zones (radiation and nuclear reactors) and cold zones (outside reactor areas). At present, nuclear reactors in India have covers for zones outside the area of radiation and nuclear reactors. This is due to the lack of underwriting data on the liability for hot zones. Once the pool is in place, the premiums will go into the pool, and cover for hot zones and its liabilities will be provided.

Both Indian and US officials hope that the nuclear insurance pool will convince US companies to build nuclear power stations in India.

However, the agreement stopped short of demands to soften a liability law, reported Reuters.

The Indian Parliament passed a law five years ago that makes equipment suppliers ultimately responsible for an accident, a deviation from international norms that the companies found hard to accept.

In 2010, Parliament passed the Civil Liability for Nuclear Damage (CLND) Act, which creates a liability cap for nuclear plant operators for economic damage in the event of an accident.

It also leaves nuclear suppliers free of most liability. Industry experts had said both nuclear operators and suppliers should be jointly held liable for civil damages in case of an accident, reported Business Standard.

Mr G Srinivasan, Chairman of New India Assurance, said of the proposed nuclear pool: "This will cover both operators and suppliers and will be functional as soon as the need arises."

The idea of forming a pool was mooted in early 2013 and was stalled due to differences among stakeholders on certain issues, apart from public liability. Having a pool would also mean inspection by foreign reinsurers. This is an area of contention but sources added this provision is being worked out, reported Business Standard.

Source

Reinsurance

Reinsurance rates to remain flat in 2015, no hardening seen - Business Standard

Reinsurance rates for 2015 are expected to remain flat since no major catastrophic event impacted the books of the companies. Reinsurance and insurance officials are of the view that the Asian market had been almost free of such events, barring the Jammu & Kashmir flash floods and Hudhud cyclone which had a slight impact on the rates.

The Hudhud cyclone that hit Andhra Pradesh and Odisha has led to Rs 3,000-3,200 crore of claims for property and crop damage while the floods in Jammu & Kashmir saw insurers taking a hit of Rs 3,000 crore.

"Though the rates may not go down like 2014, there will not be further hardening," said the head of foreign markets at a global reinsurance company on the sidelines of an insurance event.

Last year, there was a softening of reinsurance rates in the contracts renewed and sources said that they had come down by 15-20 per cent. This was because of absence of major natural catastrophe events across the world and better numbers reported by the industry.

Market expansion is also expected according to players, with the insurance ordinance ruling that foreign reinsurers can open branches in India to offer better services.

Even on the aviation front, while there have been some air accidents and a case of a missing aircraft, reinsurers said that this would not sharply impact pricing. "One or few companies may seem a marginal price correction based on the quantum of aviation insurance risks that they are exposed to. But no major shift would be seen," said the head of Asian markets at a large reinsurance firm.

Contracts in reinsurance come for renewal on an annual basis. Reinsurance is the insurance taken by insurance companies to mitigate the risks of claims and claim payment brought about by large risks. Here, the reinsurer takes on all or part of the risk covered under a policy of an insurance company in consideration of a premium payment.

The rates of reinsurance are decided not just based on domestic events but also on global events. A single or group of events happening in the particular country may or may not affect the rates, but a large global catastrophe may impact rates since the reinsurer(s) would have an exposure to those risks.

[Back](#)

Source

Survey & Reports

Booming Ranked 10th among the 147 countries in the life insurance business, India's insurance sector is projected to touch US\$350-400 billion by 2020 - Hindustan Times - epaper

With growing population, increasing life expectancy and expanding working class in India, the future of the insurance sector appears buoyant. India's insurable population is anticipated to touch 75 crore in 2020 and it is among the top insurance markets in the world. It is ranked 10th among the 147 countries in the life insurance business, in terms of business done, with a share of 2.03% during financial year 2013, according to a 2014 KPMG report titled Opportunities for Global Financial Institutions in India.

The industry constitutes 53 players, including 24 life insurance companies. The government is determined to get Parliamentary approval for its insurance legislation and is looking to call a joint session to get it passed.

A recent commerce ministry report says that India's life insurance sector is the biggest in the world with about 36 crore policies and is expected to increase at a compound annual growth rate (CAGR) of 12-15% over the next five years. The insurance industry plans to hike penetration levels to 5% by 2020, and could top the US\$ 1 trillion mark in the next seven years. The sector's growth looks promising primarily because of the Centre's efforts to strengthen the industry.

Steps like the Cabinet approving a proposal to relax foreign direct investment (FDI) limit in the domestic insurance sector to 49% from the previous 26% in July 2014 hints at the government's intent to bring capital and investment into the sector.

The total market size of India's insurance sector is projected to touch US\$ 350-400 billion by 2020 from US\$ 66.4 billion in FY13, according to a commerce ministry report.

Investment corpus in India's pension sector is anticipated to cross US\$ 1 trillion by 2025, following the passage of the Pension Fund Regulatory and Development Authority (PFRDA) Act 2013, according to a joint report by CII-EY on Pensions Business in India. Subramanian Suryananaryan, national head – HR, TATA AIG General Insurance, believes there is more growth possible for the sector than expected.

"The insurance sector will continue to grow at a much higher rate than the 12-15% that we are witnessing today. The sector is under-penetrated and hence, this opportunity is high. It has been showing double digit growth as compared to a lot of other sectors.

There is a growing middle class which is consuming at a much higher pace and there are various kinds of insurance needs that are emerging. The industry itself is acknowledging the need to provide more niche/customised products to the younger digital consumer. Companies are now looking to serve the bottom of the pyramid as well, where there are several solutions which are being looked at in the rural space," says Suryananaryan.

"Going forward, key factors that are expected to drive growth for the lifeinsurance industry are a strong domestic economy, increased awareness for lifeinsurance products amongst people, a supportive regulatory environment, and policies that foster customer-friendly products.

The low insurance penetration levels in India are expected to throw up significant expansion opportunities for companies," says Shailesh Singh, director and chief people officer, Max Life Insurance. Job roles that are likely to be in demand in the coming months include sales officers, risk engineers, actuarial experts, underwriters, claims officers etc as we anticipate more geographies that we need to reach out to. More companies coming in due to relaxation of FDI norms will create this need.

Singh believes that sales jobs in the insurance sector are likely to see the highest traction over the next few years and they need not be confined to the companies.

"They could also be associated with the bancassurance (bankinsurance model) or third party partners through which insurance companies connect with their customers. For a sector that is extremely capital intensive and is under constant earnings pressure but at the same time has sub-optimal penetration, it has become almost imperative to recruit front-end sales executives and deploy more feet on the street to bring in the revenue.

In fact, even today, sales jobs comprise majority of the human resources any insurance company has," he adds. The increase in the foreign capital ceiling to 49% in the insurance sector should bring in the much-needed long-term capital and allow flexibility of different capital structures, depending on each company's needs.

[Back](#)

IRDAI Circular

Source

Source

IRDAI released the exposure draft on IRDAI (Fee for Registering Cancellation or Change of Nomination by the Holder of a Policy of Life Insurance) Regulations, 2015.

Source

IRDAI uploaded Exposure Draft IRDAI (Appointment of Insurance Agents) Regulations, 2015

Source

IRDAI uploaded updated status of Insurance Brokers (As on 31st December, 2014)

Global News

New Zealand: Insured motorists want the uninsured off the road – Asia Insurance Review

Most insured drivers think that those who cannot afford insurance cover should keep their vehicle off the roads, according to a survey by Canstar Blue, a customer satisfaction research and ratings company. The nationwide survey of 1,594 people found that 86% agreed that uninsured drivers should stay off the road, a view which was particularly popular among older respondents. One in 10 insured drivers had taken an uninsured driver to court to try and recover costs of an accident. Uninsured drivers make up only about 5% of motorists.

On the subject of compulsory insurance for motorists, Mr Tim Grafton who is the Chief Executive of the Insurance Council of New Zealand, said that he had "an open mind" on the issue. However, the Automobile Association (AA) does not support compulsory insurance, saying that compliance would be costly, and would result in all drivers cross-subsidising higher-risk motorists, reported the stuff.co.nz news website.

Motoring affairs spokesperson, Mike Noon, said high-risk drivers were unlikely to get insurance, even if it was mandatory. However, he said that the AA still recommends all drivers should at least have third party insurance. The Transport Ministry has previously ruled out calls for compulsory third-party insurance, saying it may not have significant safety benefits.

Source

[Back](#)***China: Full price liberalization in life market targeted to take place this year – Asia Insurance Review***

China will kick off premium rate reform for universal life insurance and strive to achieve fully market-based pricing for life insurance this year, the head of the country's insurance regulator has said. Mr Xiang Junbo, chairman of the China Insurance Regulatory Commission (CIRC), said at a work conference on Monday, that after universal life insurance, next on the reform agenda will be pricing of participating life insurance, among other products. According to Chinese media reports, insurance pricing reform is progressing steadily in the country. The State Council, which is China's Cabinet, has already approved market pricing for universal life insurance. Free pricing of such products is set to be launched this year. The government aims to achieve full liberalisation of life insurance rates before the end of the year.

Meanwhile, preparations for motor insurance premium rate reform are underway and six provinces and cities including Northeast China's Heilongjiang Province will be singled out for the pilot reform once the State Council approves the plan. Mr Xiang also said that the pricing mechanism for accident insurance needs to be studied. The authorities will explore the establishment of a system for ascertaining casualty loss ratios and pricing; enhance information disclosure of compensation rates and premiums and regulate marketing and management practices.

Turning to other areas of the insurance market, he said that the China Insurance Regulatory Commission will have three major thrusts this year. These are: to clinch legislation governing catastrophe insurance, promote tax incentives for pension and health insurance, and go all out to push critical illness insurance across the country. He said that this year will also be important for the insurance industry because it will mark the transition to the new China Risk Oriented Solvency System (C-ROSS) set to be fully implemented next year. C-ROSS introduces risk based solvency regulation to the Chinese regulatory framework and has three pillars, namely, quantitative capital requirements, qualitative regulatory requirements and market discipline.

Source

[Back](#)***Bangladesh: Private insurers need to address lapse rates – Asia Insurance Review***

Private insurers in Bangladesh have one of the worst lapse rates globally, due to the ignorance of policyholders and wrong strategies adopted by insurers, according to the Insurance Development and Regulatory Authority (IDRA).

In Bangladesh, the first-year lapse rate for private insurers stands at 60-70%, much higher than in other countries, reported The Daily Star newspaper citing IDRA. The lapse rate is 10-15% in India, 40% in Sri Lanka and 45% in Pakistan. The rate is far lower in the developed world.

"Private companies are selling policies in rural areas, where people don't have much knowledge about insurance. Insurers are still unable to tap the richer segments of society," said Mr Ekramul Ameen, managing director of Best Life Insurance.

"The insurance sector faces a severe shortage of skilled manpower. There is also no campaign to sensitise people about insurance," he said, explaining the high lapse rate in the country. IDRA also attributed the situation to practices adopted by private insurers. "Many insurers make false policies to show inflated premiums. Later, these policies end up as lapsed," said a senior IDRA official.

Some private insurance companies also backdate insurance policies: for example, someone buys a policy in April 2014, but insurers show it in the books as of December 2013. When the insurer asks for renewal fees the following December (after 6-8 months), the policyholder is puzzled as a full year had not passed then. Ultimately, the policyholder does not renew the policy. At present, 31 private insurance companies operate in the market, of which, 12 were given licences in 2013.

Source

[Back](#)

China: Insurance sector doubles annual profits - Asia Insurance Review

The mainland Chinese insurance industry recorded profit of CNY204.7 billion (US\$33 billion) last year, more than double the amount of the previous year, the country's insurance regulator has announced. Capital gains from premium investments stood at CNY535.9 billion with a rate of investment return of 6.3%, according to a media statement from the China Insurance Regulatory Commission.

Total premium income by insurance companies reached CNY2.02 trillion last year, up by 17.5% year-on-year. The sector's total assets stood at CNY10.2 trillion as of the end of December 2014, increasing by 22.6% from the level at the beginning of last year. 2014 is the second consecutive year in which China's insurance industry more than doubled its profits. In 2013, the insurance industry reported gains of CNY99.1 billion, an increase of 112.5%.

Source

[Back](#)

Japan: P&C sector enjoys improvements on several fronts – Asia Insurance Review

The outlook for the Japanese property and casualty (P&C) insurance industry is stable, because of improved underwriting profitability mainly due to ongoing auto insurance repricing; expected improvement in cost efficiency through group reorganization; and improving capitalization and risk reduction efforts, according to Moody's Japan.

"This repricing reflects the lingering effects of the modified industry-wide grading system applied since October 2013, and price hikes by individual insurers in the voluntary auto segment," said Moody's Analyst Eiji Kubo. The improved profitability in the industry's core underwriting risk business will lower the incentives for P&C companies to take higher risks to generate investment profits.

In addition, the accelerated reorganization of two of the three main insurance groups with high cost structures — Sampo Japan Nipponkoa Holdings and MS&AD Insurance Group Holdings — will improve the industry's cost efficiency, said the rating agency. But the pace of improvements differs among the entities, noted Moody's, with Sampo Group's cost structure to improve first thanks to its more advanced reorganization stage compared to MS&AD Group.

"The favourable domestic equity markets will also benefit Japanese P&C insurers," said Mr Kubo, "If sustained, this rise will translate into higher unrealized gains and investment revenues, which in turn will benefit the insurers' investment income and capital position." A strong equity market also incentivizes P&C insurers to sell shares to reduce balance sheet risk exposure, said Moody's.

Risk management will continue to be a focus for P&C insurers, especially with regard to catastrophe risk. Such management measures — which include a greater use of reinsurance cover to manage cat risk — will have a positive impact on the insurers' capital positions, said the international rating agency. The measures, implemented after the March 2011 earthquake in Japan and the November 2011 floods in Thailand, are beginning to benefit insurers.

Source

India and US agree nuclear reinsurance fund deal – www.reactionsnet.com

India says it has agreed to bring a nuclear power reinsurance fund into being, as part of plans to attract US investment into its nuclear energy sector. The deal as announced – underpinned by GIC Re and several other publicly-owned Indian insurers – is designed to pave the way for US nuclear energy companies to invest in Indian reactors, by facilitating liability insurance covers for such schemes.

The agreement would use India's largely state-backed insurance and reinsurance sector to transfer risk to insurers in case of potential accidents. "The India nuclear insurance pool is a risk transfer mechanism which is being formed by GIC Re and four other public sector undertakings in the general insurance business in India," said Amandeep Singh, joint secretary at the Indian foreign ministry.

He said GIC Re and the other firms would contribute 7.5bn Indian rupees (\$122m) to the pool and the balance would be contributed by the government on a tapering basis. Obama's visit to Indian Prime Minister Narendra Modi in New Delhi has coincided with the agreement of several deals aimed at closing diplomatic, defence and civil nuclear bilateral ties.

Energy sector bilateral cooperation has been limited in preceding decades by the long shadow of 1984's shocking Bhopal disaster, when chemical leakage from a plant ran by US company Union Carbide led to long-running compensation litigation.

Source**Disclaimer:**

'Newsletter' is for Private Circulation only intended to bring weekly updates of insurance related information published in various media like newspapers, magazines, e-journals etc. to the attention of Members of Insurance Institute of India registered for its various examinations. Sources of all Cited Information (CI) are duly acknowledged and Members are advised to read, refer, research and quote content from the original source only, even if the actual content is reproduced.

CI selection does not reflect quality judgment, prejudice or bias by 'III Library' or Insurance Institute of India. Selection is based on relevance of content to Members, readability/ brevity/ space constraints/ availability of CI solely in the opinion of 'III Library'.

'Newsletter' is a free email service from 'III Library' to III Members and does not contain any advertisement, promotional material or content having any specific commercial value.

In case of any complaint whatsoever relating 'Newsletter', please send an email to Mr. A. Mukherjee, Director, College of Insurance at a.mukherjee@iii.org.in.

To stop receiving this newsletter, please send email to library@iii.org.in