



Newsletter

01-April-2011 to 07-April-2011

Date – 01-April-2011

News	Reinsurance costs in India still low
Newspaper	The Economic Times
Source	http://economictimes.indiatimes.com/news/economy/finance/reinsurance-costs-in-india-still-low/articleshow/7840814.cms

MUMBAI: Reinsurance rates in India continue to be soft despite reduction in exposures by the likes of Germany's Allianz and Munich Re as new and smaller companies such as Asia Capital Re grab the opportunity to expand business in a fast growing market.

The cutting down of businesses by some top global reinsurers due to poor profitability is unlikely to have any immediate impact on non-life reinsurance rates, industry experts say. Asia Capital Re, Singapore has increased exposures on our reinsurance treaties. Swiss Re, Zurich and Sompo Re, Japan have joined our panel of reinsurers for the current year.

Munich Re and Partner Re have exited our treaties , " said Amarnath Ananthanarayanan , MD and CEO of Bharti AXA General Insurance. Insurance companies that sell policies to companies and individuals , reinsure their liabilities to lessen their burden in the event of high claims. They get into agreements with many reinsurance companies in what is called as treaties in industry parlance , to reduce risk. These treaties are negotiated each fiscal year. Munich Re and Partner Re could not be immediately reached for comments. "Battering of the worst market is compelling global reinsurers to exit from the Indian market.

Rates continue to be soft despite players pulling out of the market , " said a senior executive of SBI General. Insurers continue to offer 80-90 % discounts on all accounts. Allianz is not participating in competitive treaties , said an executive at a non-life insurance company who did not want to be identified . So if AXA or Chartis is involved in a treaty, Allianz is staying away. This could not be verified with Allianz.

Munich Re and Swiss Re have reportedly taken a hit of \$2.1 billion and \$1.2 billion, respectively, due to Tsunami claims from Japan. "Global reinsurers have participated on the excess of loss treaty. So, they take a hit at a later stage," said an insurance broker. Excess of loss treaty is an arrangement where the reinsurer covers losses which are greater than the primary insurer's capacity .

For instance, a property is insured for Rs 1 crore and the loss comes to Rs 50 lakh, the reinsurer will not have to pay for the claim. Anything in excess of Rs 50 lakh will be paid by the reinsurer. Most of the reinsurance programmes are led by designated national reinsurer General Insurance Corporation (GIC Re). Players like SCOR and Asia Capital Re have increased their exposure in the Indian market. Also, in order to discipline the market, GIC has brought down the ceding commission. Executives of large insurance companies say GIC has reduced the ceding commission by 3-5 %.

News	Outlook for non-life insurance negative
Newspaper	The Financial Express
Source	http://www.financialexpress.com/news/indias-nonlife-insurance-biz-outlook-revised-to-negative-s&p/769937/0

New Delhi: Global rating agency Standard & Poor's on Thursday revised business outlook of India's non-life insurers from stable to negative, as underwriting business is expected to decline.

"The negative outlook on India reflects our view that underwriting performances are likely to stay very weak this year despite strong growth potential for premiums," S&P said in its report titled 'Asia-Pacific Nonlife Insurance'.

At present, there are 24 non-life insurance companies in India. Of them, the four government-controlled entities command a market share of about 60 per cent.

"We believe underwriting performances (in India) are unlikely to significantly improve in the next 12 months, despite signs that prices are stabilising," S&P said.

It said the industry was maintaining its profitability through investment income, and cautioned against likely shocks due to vulnerability in investment market. S&P conducted comprehensive review of 12 non-life insurance

markets-- Australia, China, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan and Thailand.

The review assessed the impact of several catastrophes in the region over the past year among many other factors.

"We revised the outlooks on three markets to negative from stable-- Japan, New Zealand and India," it said. Severe natural disasters and diverging economic forecasts have affected the growth prospects for several Asia-Pacific non-life insurance markets, the S&P said.

"We revised the outlook on Japan and New Zealand's non-life markets to negative from stable because we expect the recent earthquakes there to affect (their)earnings and capital strength," S&P credit analyst Paul Clarkson said.

"We took the same action on India's market due to the likelihood of very poor underwriting performances," he added.

Date – 02-April-2011

News	<i>Low premium rates continue to afflict non-life insurance industry</i>
Newspaper	<i>The Hindu Business Line</i>
Source	<i>http://www.thehindubusinessline.com/industry-and-economy/banking/article1591691.ece</i>

The non-life insurance industry rues that four full financial years after the “de-tariffing”, the premium rates are yet to come up to reasonable levels.

Till January 1, 2007, insurance companies did not have the freedom to price their products based on their risk perceptions. The Tariff Advisory Committee (TAC) of the Insurance Regulatory and Development Authority set the premiums. Today, only the tariffs of motor insurance are fixed by TAC. .

Back then, it was said that while the competition might force the premium rates down, they would bounce back to their economically logical levels. But that assumption, as has been proved year after year, has turned out to be wrong.

Inching up, at best

The year 2010-11 was no exception. In a year when the industry has grown 22 per cent (to Rs 37,909 crore in the first ten months), the premium rates have at best “inched up”.

Discounts continue to be as steep as 90 per cent over the levels that obtained prior to 2007. The most recent example of this is the cover given to Madras Cements, by a public sector insurance company.

Mr G. Srinivasan, Chairman and Managing Director, United India Insurance, said that premium rates are slowly inching up at 5-10 per cent, but not at 25 per cent as expected by the industry four years ago.

Mr S. S. Gopalarathanam, Managing Director, Cholamandalam MS General, said the premium undercuts among insurers to offer insurance cover to corporates are “worse this year than last year.”

The two-year-old Bharti Axa General Insurance's, CEO and Managing Director, Dr Amarnath Ananthnarayanan, said overall there is no improvement in the pricing mainly contributed by cut throat competition.

Undercutting

Experts point to the fact that while, on the one hand, more players have entered the industry in the last four years, who do not mind undercutting to secure business, on the other, there has been no major catastrophe that could have spurred insurers to raise premiums.

The situation appears to be somewhat better in health insurance. Mr T. A. Ramalingam, Head – Underwriting, Bajaj Allianz General Insurance, says that the premiums are going up, at rates of between 10 per cent and 15 per cent.

But in the ‘fire’, ‘marine’ and ‘engineering’ segments, insurers continue to bleed. If they still turn in a profit, it is because of the investment income.

A frustrated insurance broker said that unless a Japan-like disaster struck India, insurers here would not realise the grave mistake of not pricing premiums in step with the risks.

News	<i>Draft guidelines for providers of online information on insurance need tweaking</i>
Newspaper	<i>The Hindu Business Line</i>
Source	<i>http://www.thehindubusinessline.com/industry-and-economy/banking/article1588236.ece</i>

With greater Internet penetration, buyers of insurance products visit Web sites to understand products and their features. Those who provide such information are known as Web aggregators. With just the click of a mouse, information such as premium quotes and other general information can be accessed. Given the growing number of such sites, the Insurance Regulatory and Development Authority (IRDA), to protect the interests of clients, proposes to issue guidelines on Web aggregators.

Eligible criteria for Web aggregators

The proposed guidelines say that Web aggregators should not in any of the business of extending loans and advances, accepting deposits or trading in securities. Besides, a Web aggregator shall have a minimum net worth of not less than Rs 50 lakh in the previous three consecutive years. The web aggregator shall not be licensed or registered as an insurance agent.

Further the draft guideline has said that insurer/broker shall enter into an agreement with the Web aggregator approved by the authority to receive the leads to be shared. For the business procured through them they should be compensated by fee/remuneration. The Web aggregator shall not pass the leads to more than five insurers or one broker. The agreement with Web aggregator shall be valid for a period of three years from the grant of approval from the authority.

When IRDA wants to stop mis-selling and make the sale of insurance products more transparent with its guidelines on ULIPs, some of these exposure draft guidelines appears to set the clock back and go back to old days of micro managing. There are few points that IRDA ought to reconsider.

Why should leads be restricted to five insurers?

When a company manages the data of all the 23 insurance companies why should it be restricted only to five insurers? When the customer's requirement is not met by an insurance company with which it has tied up, there might be a possibility of mis-selling happening. So it's better to allow all of them to pass the lead to any insurance company based on client needs.

Why have a net worth clause?

With IT revolution, setting up an office and just collecting data from insurers' Web sites, without too much of research work and just passing leads to insurers or broker's Web aggregator will not require maintaining Rs 50 lakh as net worth.

Someone working in a similar line in the mutual fund space is not restricted by such a net-worth clause. Even in the case of sites which facilitate mutual fund transactions through their portals are not constrained with such a net-worth clause. Besides, why would some one planning to set up a new establishment have net worth of Rs 50 lakh for three years consecutively? This requirement doesn't seem logical. Will it not defeat the competitive environment where a select few will dominate the space?

Why have a restriction on the fee?

When regulators start micro managing between two business entities what will be the incentive to do business? Even in the referral period by just passing client information, the referral agent was making quite a good commission. But as per the draft guidelines, if someone maintains the Web sites with information and spends enormous time collecting data and doing research, it would earn a fee that is only 25 per cent of that payable to brokers. Then, why should both be required to maintain identical net worth?

Why link to commission?

Making all aggregators and comparison sites to work just on commission-linked incentives may force the sites to ignore products with lower commission such as term insurance. This would end up disadvantaging customers.

Web sites that survive on “hits” — with revenue from advertisers — will concentrate more on high commission products such as ULIPs and traditional products, than on introducing beneficial products to the customers.

Allow non-commission Web sites to exist.

The IRDA should consider permitting non-commission-based Internet businesses to operate on the lines of research and publishing businesses in the mutual fund segment. These may be permitted to engage in marketing and advertising activities with insurance, brokers and other financial businesses. This will allow businesses to provide impartial research and comparisons without being tied into a commission-linked model.

News	<i>Kerala to press for insurance cover for perennial crops</i>
Newspaper	<i>The Hindu Business Line</i>
Source	<i>http://www.thehindubusinessline.com/industry-and-economy/banking/article1588236.ece</i>

The State Government intends to fast-track a proposal for inclusion of perennial crops, especially the major ones among them, under the National Agricultural Insurance Scheme (NAIS).

The list of crops, which includes pepper, coconut, rubber and cardamom, needs to be put up before the Centre for its consideration, according to a spokesman of the State-Level Bankers' Committee (SLBC).

NAIS SCHEME

The latest meeting of the SLBC had discussed the matter for expedited action. It has already been taken up with the Secretaries of the Agriculture and Finance Departments of the State Government. NAIS is a scheme of the Government of India implemented by the Agriculture Insurance Company of India (AIC) with the active participation of the State Governments. According to the current provisions under NAIS, the coverage of crops falls under three broad groups in respect of which the past yield data base on crop cutting experiments should be available for a prescribed number of years. A requisite number of these experiments should also have been conducted for estimating the yield during the proposed season for which the cover is sought.

BROAD GROUPS

The three broad groups of crops covered under the scheme are food crops (cereals, millets and pulses), ilseeds, and sugarcane, cotton and potato (annual commercial/annual horticultural crops).

Subject to availability of past yields data, other annual commercial/annual horticultural crops will be covered over a period of the next three years.

However, the crops which need to be covered during a proposed year would have to be spelt out before the close of the preceding year, the provisions stipulate. Further, NAIS has also to comply with the operational modalities with regard to estimation of crop yield. Modification, if any, on this count falls within the exclusive jurisdiction of the Government of India.

MEETINGS CALLED

Department-level meetings are being arranged with the AIC to find a solution to the issue of coverage perennial crops from the State.

The AIC is yet to submit a formal proposal to the State Government, though. It has been on record saying that it is trying to evolve a new scheme outside of the NAIS to extend the insurance cover to these crops.

The SLBC has also been told that the Government of India is in the process of modifying the guidelines of the NAIS scheme.

Right time

This is a rare opportunity for the State Government and the SLBC to make the right moves and petition the Centre, the spokesman said. On its part, the State Government has requested the AIC to submit a proposal immediately to enable it to fast-track it to the Centre. The SLBC too has made a similar request with the AIC, the spokesman added.

News	<i>ONGC gets assets insured for \$27.70 mn for FY12</i>
Newspaper	<i>Business Standard</i>
Source	<i>http://www.business-standard.com/india/news/ongc-gets-assets-insured-for-2770-mn-for-fy12/130951/on</i>

Despite natural disasters in Japan, Australia and New Zealand increasing risk perception, state-owned Oil and Natural Gas Corp (ONGC) has managed to get a fair deal for insuring its assets.

ONGC paid \$27.70 million to insure its assets in FY12, 2.4% higher than \$27.05 million insurance premium paid for the previous year.

The rise in insurance premium is lower than the 7% jump in asset value," a senior company official said. The value of assets insured has increased to \$32.8 billion from \$30.9 billion in the previous year.

"There was increase in risk perception because of earthquake and tsunami in Japan and other natural disasters in Australia and New Zealand. Many expected that rates may harden and companies may have to pay more for insurance cover. But we have been able to get a good rate," the official said.

Date – 04-April-2011

News	DoP targets to grow insurance base to 100 million subscribers
Newspaper	Deccan Herald
Source	http://www.deccanherald.com/content/151045/dop-targets-grow-insurance-base.html

The Department of Posts is in talks with various consultants to formulate a roadmap for its life insurance business with an aim to grow the customer base to about 100 million subscribers in next few years, sources said.

"The Department of Posts (DoP) is in talks with various consultants in order to formulate the future course in the life insurance business. But, the talks are still in the initial stages and nothing concrete has been done till yet," a source in the DoP said.

The department has about 5 million policies under postal life insurance (PLI) with an amount of Rs 58,132 crore, while under rural postal life insurance (RPLI), it has about 13 million policies with an assured amount of Rs 67,162 crore.

The growth rate of RPLI was 60 per cent in terms of premium income in 2009-10 over 2008-09. The Department is committed to expanding insurance cover to reach a target of about 100 million customers in next few years, the source said.

The department has already invited expressions of interest (EoIs) to receive responses from eligible interested firms for providing project consultancy on 'Long Term Strategy for Life Insurance Business of Department of Posts'.

Post liberalisation and opening up of the insurance sector to private insurers, several new business models of insurance have been launched which coupled with a regulatory and competitive environment are posing fundamental threat to the existing business models and requiring industry participants to make some significant shifts, the EoI added.

Given the recent regulatory changes, government policies and the need for greater participation in the evolving but still growing life insurance market, Department of Posts wants a thorough diagnostic re-look at its entire operating strategy including a structural framework in the insurance Division and to develop a road map for the future.

In that regard, the consultants chosen shall focus on the following areas as a part of the assignment, including analysis of insurance market, future outlook for growth and profitability, scope for expansion of products and clientele and key success factors for an organization to succeed.

News	US upset with India's insurance laws
Newspaper	Financial Chronicle
Source	http://www.mydigitalfc.com/insurance/us-upset-indias-insurance-laws-670

Foreign partners in the Indian insurance companies operate in an "extremely uncertain" environment due to snake and ladder like laws governing the sector, the US Trade office said.

While an Insurance Laws (Amendment) Bill is pending with the Standing Committee of Parliament for increasing the foreign investment in insurance joint ventures to 49 per cent, an existing regulation requires that after

completing 10 years of operation, overseas investment in such companies would have to be brought back to 26 per cent.

Several of the insurance joint ventures, including Reliance Life are about to complete 10 years of operations in India. Whereas HDFC Standard Life has already completed a decade of business here.

So, unless this provision is amended, passage of the Insurance Laws (Amendment) Bill allowing foreign equity to 49 per cent would be meaningless.

The US Trade Office in its 2011 National Trade Estimate Report on Foreign Trade Barriers talks about this paradox in the Indian insurance laws.

"While the Insurance Regulatory and Development Authority (IRDA) said it plans to publish a clarification of these regulations, foreign investors continue to operate in an extremely uncertain environment," the US said. India first opened its insurance sector for foreign participation of up to 26 per cent in both life and non-life segment in 1999. A bill pertaining to raising FDI ceiling to 49 per cent in the sector is pending before Parliament.

The Bill, when enacted, would allow raising the FDI cap for the industry to 49 per cent. However, it has been awaiting approval since 2008, as it was delayed by strong opposition from the Left parties during UPA-I government.

"As with other sectors being considered by the government for greater FDI liberalisation, opposition party lawmakers are concerned that passing the Insurance Bill will result in foreign companies' holdings increasing significantly," the report said.

Keen to enter the Indian insurance market, legendary investor Warren Buffett had also said during his recent visit to New Delhi that a foreign investment cap of 26 per cent in insurance sector here was a deterrent.

Buffett's Berkshire Hathaway had recently forayed into the Indian non-life insurance sector as a corporate agent of Bajaj Allianz General.

In India, besides, state-owned LIC, 22 private companies offer life insurance policies. While the general insurance sector has 21 players, which include four PSUs.

News	<i>Online aggregators to make insurance easier for you</i>
Newspaper	<i>The Economic Times</i>
Source	<i>http://articles.economictimes.indiatimes.com/2011-04-04/news/29374917_1_aggregator-websites-customer</i>

If you've been planning to buy life insurance but can't zero in on the product with the least premium, your best bet would be the Internet. A few clicks of the mouse across aggregator websites and you can have all the information you need, ranging from the policies' features to their cost.

Such websites broaden the choice for the buyer by allowing him to compare products from different insurers. The customer is bound to get the best deal, right? Well, not always.

"Many portals are not making the effort to update the policy details, resulting in outdated information being passed on to the users," says Rahul Aggarwal, CEO, click2insure.in. For consumers, it means that what they see isn't necessarily what they will get. They may be latching on to the wrong product.

This, besides several other problems related to aggregator sites, has led the Insurance Regulatory and Development Authority (Irda) to come out with draft norms for these outfits. Another major issue is that some of the aggregators pass on clients' or even visitors' contact details and other vital information to brokers and service providers for a fee. In fact, most web aggregators merely act as lead generators, who pass on this information. For instance, if the visitor has expressed his or her preference for some product after comparison, they pass the information on to the insurance company. If the aggregator site sells your personal details to a third party, your name could land in a database. This could mean that you are flooded with a lot of spam: calls, SMSes and e-mails.

"Many aggregators simply sell the information to insurers, who then contact the customers to make their sales pitch," says Aggarwal. Concur Mahavir Chopra, head, e-business, medimanager.com, a health insurance aggregator: "Today, some websites sell leads to anyone who wants to buy them. The regulations regarding privacy of the customer are not very clear. How the contact information of the customer is used is also not clear," he adds.

To begin with, all aggregator sites will have to register with Irda. This will mean closer scrutiny by the regulator and it will also help protect the rights of the consumer. Secondly, all sites will have to provide the latest information on features and premium rates.

News	<i>Free Up Pricing Third party risk cover prices must be freed, instead of freezing claims</i>
Newspaper	<i>The Economic Times</i>
Source	http://epaper.timesofindia.com/Default/Scripting/ArticleWin.asp?From=Archive&Source=Page&Skin=ETNEW&BaseHref=ETD/2011/04/04&PageLabel=14&EntityId=Ar01404&ViewMode=HTML

The government's reported move to cap third-party claims for road accidents to prevent courts from awarding unlimited compensation to victims is flawed. Caps would further distort the pricing of such covers and hurt accident victims, even if it helps insurers cut losses. Instead, fetters on pricing of third party risk covers that provide compensation to accident victims should be removed to safeguard the interests of consumers and insurers. Today, premiums are regulated in this segment. Insurers treat third party risk covers as a bleeding portfolio as claims far outstrip premium collections, especially in commercial vehicles. The problem gets compounded when compensation is unlimited, eroding the profitability of insurers. Reforms to overhaul the outdated policy on third-party insurance covers are, therefore, in order. To start with, insurance regulator or Irda should free pricing on such covers. Regulating tariffs only in this segment does not make sense when pricing has been freed in all other general insurance segments such as health, fire and engineering. Free pricing could push up premiums in the near term. However, competition will ensure that insurers price their risks more efficiently and this will drive down premiums. Pricing is bound to become more scientific over time. Rash drivers and those in crowded metropolises with a higher accident rate will find themselves paying more, while those with an unblemished driving record will be rewarded with lower premiums. The motor-insurance pool, set up by general insurers to collectively service commercial vehicle third party insurance business, will also work better when pricing is freed.

Systems should be in place to ensure that all vehicle owners have the mandated third-party cover, to boost premium collections. Insurers will then find it worthwhile to write the business. However, compensation claims should be filed within a stipulated period. This will ensure that disputes do not linger on. The government should not buckle under pressure from the transporters lobby to stall free pricing.

News	<i>New India Assurance asked to pay for ship wreck loss</i>
Newspaper	<i>Business Standard</i>
Source	http://www.business-standard.com/india/news/new-india-assurance-asked-to-pay-for-ship-wreck-loss/430797/

The Supreme Court has dismissed the appeal of New India Assurance Company which had rejected the claim of a ship-breaking firm for compensation. The firm bought a Belgian vessel and was bringing it from Singapore on its 'funeral voyage' to Alang port in Gujarat for demolition. It wrecked on way in high seas due to bad weather. The ship was covered by marine insurance and the ship-breaker invoked the policy. The insurer rejected the claim leading to litigation in the consumer forum. The National Consumer Commission asked the insurance company to pay Rs 14 crore with 9 per cent interest to Priya Blue Industries, the scrap dealer in ships. However, the insurer appealed to the Supreme Court. It ruled that the loss suffered due to the ship wreck was properly assessed by the surveyors and the commission order was correct.

SC rules Neyveli Lignite entitled to pay lower tax

The buyer of Neyveli Lignite Corporation, a central government undertaking which was sold as scrap, was entitled to pay a lower sales tax, the Supreme Court ruled. It dismissed the appeal of the Commissioner of Commercial Taxes against the ruling of the Madras high court which stated that the levy should take into account that the machinery was total scrap. Since the plant and machinery had outlived its utility, the government appointed Metal Scrap and Trading Corporation Ltd, a government enterprise, to sell them as scrap. It arranged an e-auction in which Chitrahah Traders bid the highest amount. The revenue department then demanded 12 per cent and surcharge as sales tax stating that what was sold was plant and machinery; not scrap. The buyer contended that only 4 per cent could be levied at the rate stipulated for scrap. In fact, it had to use explosives to remove machinery embedded in earth since 1961 and which became utterly useless by 2001. The high court and the Supreme Court accepted the contention of the scrap buyer.

Imprisonment not must for issuer of bounced cheque: SC

Imprisonment is not a must while punishing a person who issues cheques which bounce, the Supreme Court stated in the case, Kaushalya Devi vs Roopkishore. In this case, the drawer of cheques was convicted under the Negotiable Instruments Act. However, he deposited Rs 2 lakh out of Rs 3.5 lakh against the cheques. The magistrate felt that under that circumstance, fine would suffice and imprisonment was not necessary. He imposed a fine of Rs 4 lakh and allowed time to pay the balance. This order was challenged by the payee, but the Supreme Court agreed with the magistrate that jail sentence was not called for in this particular case.

Insurance Co has to pay if driver has exercised due diligence

If the owner of a motor vehicle has shown due diligence while appointing a driver and examined his licence, the insurance company cannot deny the insured amount on the ground that the licence was fake. The ruling of the National Consumer Commission to the contrary in the case, Mrs Rubi Dutta vs United India Insurance Co, was set aside by the Supreme Court and the company was asked to pay Rs 2.70 lakh as compensation for the damage to a bus in an accident. The insurer argued that the driver's licence was fake. But it was a duplicate issued after following the legal procedure. The court stated that at the time of giving employment to the driver, "the owner of the bus must have examined the licence issued to him and after satisfaction thereof, he must have been given employment. Nothing more was required to have been done by the owner. After all, at the time of giving employment to a driver, owner is required to be satisfied with regard to correctness and genuineness of the licence he was holding. After taking the test, if the owner is satisfied with the driving skills of the driver then, obviously, he may be given an appointment."

Debt recovery appellate tribunal has no power to exempt defaulter: SC

The Supreme Court has stated that the debt recovery appellate tribunal has no power to exempt a defaulter from making a pre-deposit before entertaining his appeal under the Securitisation & Reconstruction of Financial Assets and Enforcement of Security Interest Act. In this case, Narayan Chandra vs UCO Bank, the tribunal granted exemption. The Calcutta high court set aside the order. He appealed to the Supreme Court which upheld the high court ruling.

News	Motor claims fund to eat into PSU insurers' margins
Newspaper	The Times of India
Source	http://articles.timesofindia.indiatimes.com/2011-04-04/india-business/29379671_1_psu-insurers-insurance-and-united-family-run-businesses

For several years now, the four state-owned non-life insurance companies have been net contributors to the government's kitty. Over the years, these insurers have paid hundreds of crores by way of dividend and taxes. But in the current fiscal, the shoe may be on the other foot because of huge provisions these companies will have to make towards the motor third-party claims pool-a common fund that compensates victims of road accidents.

Two companies-National Insurance and United Insurance-are likely to seek, for the first time, additional capital from the government to retain their solvency margin at the statutory level. The amount sought would be to the order of hundreds of crores but the government has not made any such provision in this year's budget

Date – 05-April-2011

News	Health insurers woo HNIs with high coverage plans
Newspaper	Financial Chronicle
Source	http://www.mydigitalfc.com/insurance/health-insurers-woo-hnis-high-coverage-plans-771

If they can spend more on everything else they could well spend more on their health insurance cover, especially when healthcare costs are going up. That seems to be the new mantra of health insurance providers who are trying to woo the HNIs and the super rich with high coverage policies that offer features like coverage for second opinion, upgradation to premium hospital rooms, vaccination for children and outpatient treatment among others.

Considering that in India the average health insurance cover of an individual is about Rs 2,00,000 to 3,00,000 and the average annual premium is Rs 4,000, health insurers are going all out to woo individuals with policies having coverage as high as Rs 10,00,000, Rs 20,00,000 and even Rs 50,00,000.

Royal Sundaram Insurance has recently launched two new products, Health XS and Super Health XS, with coverage up to Rs 15,00,000, while Max Bupa Health Insurance has Gold and Platinum policies with covers ranging from Rs 5,00,000, Rs 15,00,000 lakh, Rs 20,00,000, all the way up to Rs 50,00,000.

Public sector health insurance giant, New India Assurance is also looking at coming out with a high premium health insurance policy with coverage up to Rs 12,00,000.

“Healthcare costs are increasing with every passing year. Major surgical procedures like cardiac surgery cost about Rs 6,00,000 to Rs 7,00,000, while a neurological procedure costs about Rs 8,00,000 to Rs 10,00,000. New age surgical treatments like bone marrow transplant cost about Rs 35,00,000 to Rs 40,00,000. So the healthcare costs have been factored in, while coming out with such policies,” says Neeraj Basur, chief financial officer, Max Bupa Health Insurance, to Financial Chronicle.

While not every high networth individuals may suffer from the above stated ailments or may have to undergo such high cost procedures, the high medical coverage gives them a sense of comfort, say industry members.

“For a high-flying executive, a Rs 10,00,000 cover with an annual premium of Rs 15,000 would mean nothing, considering that the policy could provide a wider coverage of say dental care costs or out patient costs. The comfort level that the individual gets is more important here,” says Shreeraj Deshpande, head, health insurance, Future Generali Insurance.

At least 95 per cent of health insurance policies sold in India have coverage of less than Rs 5,00,000, according to him.

The high coverage policies not only cover the high cost procedures but also the pampering costs at the hospital like upgradation to a luxury room at a five star hospital or a personal relation ship manager, like what Max Bupa offers, to facilitate the entire hospitalisation arrangement from admission, procedures to claims settlement.

News	Raise FDI limit to 49 percent for insurers: SMC Global
Newspaper	The Financial Express
Source	http://www.financialexpress.com/news/quick-view/771596/0

The RBI is likely to come out with a road map for introducing a holding company structure for banks soon which will help conglomerates in the finance sector to generate funds for subsidiaries. An RBI working group, headed by deputy governor Shyamala Gopinath, has almost finalised the discussion paper on this and it would be out soon for public comments, sources said. The holding company would be regulated by the Reserve Bank of India (RBI) and all the entities, including the new and the old, in the banking sector will follow the holding structure model once the central bank puts this in practice, according to the sources. A holding company can usually have a bank, life insurance firm, a general insurance and an asset management company as its subsidiaries. India now follows a universal bank model which can have financial services like insurance, asset management, securities business are separate subsidiaries of a bank. For example, county’s largest bank SBI has SBI Life, SBI MF, SBI Capital as its subsidiaries now. Following the announcement made by the RBI in its last annual policy, it constituted working group headed by Gopinath to recommend a road map for the introduction of a holding company structure together with the required legislative amendment or framework. The other members of the committee include financial sector expert YH Malegam, Prashant Saran, member Sebi, Keki Mistry vice-chairman HDFC, R Sridharan managing director SBI, NS Kannan, chief financial officer ICICI Bank. Mehta is ICICI Securities’ senior VP-Client Banking

ICICI Securities on Monday announced the appointment of Mridul Mehta as its senior vice-president, client banking. Mehta brings with him over two decades of experience in investment banking which includes Macquarie Capital Advisors in India where he was a senior member of the investment banking team, a company release said. Before Macquarie, Mehta was a Director at NM Rothschild & Sons India heading the structured finance practice. Prior to this, he was Chief Operating Officer (COO) for syndication at IL&FS Investsmart. Raise FDI limit to 49% for insurers: SMC Global

Pitching for raising the FDI cap in insurance segment to 49%, financial solution provider firm SMC Global Securities on Monday said the move would help the sector become a \$65 billion industry by 2014. SMC Global Securities said the current size of the domestic insurance industry is estimated at \$45 billion. The firm has urged the UPA government to “initiate serious deliberations” with all it’s constituents to increase FDIs limit in insurance sector to 49% from 26%. Raising the limit would help the industry grow at a much faster pace as also facilitate larger foreign direct investment, the company’s chairman and managing director Subhash Chand Aggarwal said. “With 26% foreign equity element of FDI’s in insurance business, not many foreign players are keen to make a foray in it ever since this industry was opened up for a limited competition way back in 1999,” he said. He said negligible growth was witnessed in the last decade in insurance sector as far as foreign participation is concerned. “If UPA government is able to garner support from its constituents to hike FDIs limit in insurance sector (at the earliest)...the size of insurance industry would jump up to over \$65 billion by 2014,” Aggarwal said. A bill to raise the FDI limit in insurance sector from 26% to 49% is awaiting Parliament approval.

News	Cleaning the web
Newspaper	The Financial Express
Source	http://www.financialexpress.com/news/cleaning-the-web/771521/0

With a spate of insurance companies launching online products to reduce cost and insurance web aggregators (IWAs) offering information to customers, the Insurance Regulatory and Development Authority (Irda), has come out with new draft guidelines to regulate the aggregators.

The new guidelines are aimed to bring in uniformity in display of prices and key features of the insurance products by the websites, to protect the interests of the customers and also to rationalise the approach adopted by insurers and brokers in dealing with various websites that offer price comparisons and display the key features of products.

IWAs like click2insure.com, insurancemall.in and policybazaar.com compile information on the various features and pricing of the products. A customer can compare the premiums and policy features to get the best deal. However, the urgency to bring in regulations for IWAs comes from the fact that many websites were not giving latest and correct information to users and are instead collecting personal information of potential customers and were sharing the data with the insurance companies. It is estimated that at present, the IWAs do a business of R150 crore every year.

The panel headed by A Giridhar, executive director, Irda, is also examining a wide range of issues such as a mechanism of electronic issue of policies, the legal implications, cost-benefit analysis and operational procedures, among others. It has invited comments from various stakeholders on the draft guidelines and will come out with the final version soon.

Deepak Sood, managing director and chief executive officer of Future Generali India Life Insurance, says online marketing is rapidly evolving new distribution channels that show greater promise as it will help insurers reach customers in a cost-effective manner. "Initially, at least, the online market market will be characterised by simple products. Complicated products which will need professional advice in choosing various features and options of the product may not be suitable for online sale unless the customer is highly informed," he says.

The insurance regulator has proposed that IWAs be registered under the Companies Act and must have a minimum net worth of R50 lakh at any time during the previous three consecutive years. It has also proposed that they should not have any referral arrangement with an insurer and most importantly, that they will not be an insurance agent, corporate agent, micro-insurance agent or an insurance broker. Further, they should only display information pertaining to insurance products and price comparisons of different insurers approved by Irda. The draft guidelines also underline that IWAs will have to ensure that if a customer evinces interest in buying an insurance product but does not prefer any insurer, the IWA will not transmit the customer's details to the insurer. Insurance experts say the proposal will help customers who source insurance information from the net to decide on a particular insurance. "If the Irda proposals are implemented, customers will get authentic information and in case of any misrepresentation of information, the IWAs will be hauled up," says Pramod Awasti, an Irda-certified insurance agent.

While the IWAs give information about the products, they do not do the final transaction and instead routes customers' personal information to the insurance companies. Some companies route the customer to the website of the insurer where one can download the KYC or 'know your customer' form, fill it and upload it on the site. Payments can be made through credit card or online bank transfer. The insurance company mails the confirmation of the transaction and the bond is issued to the customer.

However, customers above 40 years of age cannot buy a term policy or a health insurance online, as the customer will have to give a medical certificate to the insurer. Also, if the customer wants to switch the insurance company and wants to avail the no-claim bonus, he will have to do it offline. At present, insurance companies sell simple products online and more complex unit-linked insurance products are still sold offline, where a distributor or the agent has to explain every detail and the risk associated with market-linked investments to the customer. In fact, banks took the early lead in developing web-based transactions through internet banking to enhance efficiency and reduce transaction costs. Analysts say that with internet penetration set to grow in the country, online products will command a large market size as they are not only convenient, given the time and space independence involved in their purchase, but are also cheaper than their offline counterparts because of the high cost involved for the initial acquisition.

Moreover, the online medium ensures greater geographic dispersion. Analysts say the online channel in India would contribute to over 10% of the industry's business in the next five years or so. In some of the advanced markets such as Australia, the figure is already around 18%. Insurance companies will now have to develop efficient online models which will help customers to buy the suitable policy at cheaper rates and ensure the safety of the transaction.

News	<i>We can expect steady growth from third quarter of 2011-12</i>
Newspaper	<i>Business Standard</i>
Source	<i>http://www.business-standard.com/india/news/qa-gv-nageshwara-rao-mdceo-idbi-federal-life/430986/</i>

At a time when private life insurance companies are facing a decline in sales, IDBI Federal Life expects to grow by 35 per cent year-on-year in 2010-11. Managing Director and Chief Executive Officer GV Nageshwara Rao, in an interview with *Niladri Bhattacharya*, says the industry will take another six months to align itself with the new regulations on unit-linked plans which came into effect from September, 2010. Edited excerpts:

The life insurance industry had seen difficult times since September 2010, when unit-linked norms were introduced by the Insurance Regulatory Development Authority. What is the road ahead for the industry and when do you see the industry stabilising?

Yes, I agree with you. It has been tough during the last six months, when the sales of private life insurance companies dropped by around 40 per cent. Sales in March are also expected to be low. In the next financial year, it will definitely be a challenge to maintain growth. My guess is that it should take about a year for the industry to stabilise. So, from the third quarter of this financial year, we can expect some steady growth.

Right now, we are in the process of adjusting the products. We expect a few revised guidelines on pension products, which I hope will revive pension plans again. The long-term solution is to increase productivity in a sustained manner.

There has been a change in the product mix, in favour of traditional plans. What, in your opinion, is the ideal mix and which are the product segments you would focus on ?

Under the current regime, we have to focus on selling traditional plans. The ideal mix should be balanced at around 50:50. As far as our company is concerned, unit-linked plans, which accounted for nearly 80 per cent of product sales, came down to 60 per cent in the last one year. So, right now our product mix is 60:40.

Going ahead, we would consider three segments — children, retirement and health. However, the new products will depend on changes in regulations.

Since IDBI Federal Life Insurance is promoted by two public sector banks, IDBI Bank and Federal Bank, your primary distribution channel is the bancassurance channel. Going forward, how do you plan to grow your agency channel?

The bancassurance channel has its own advantages. For us, the impact of the changing norms was less compared to other players, since the bancassurance route accounts for nearly two-thirds of our business.

Having said that, we are focusing on building a good agency network as well. Over the next 12-18 months, we would double our branches to 100. Similarly, we we plan to add another 9,000 agents to the current 9,000 in the next one year.

What is your current persistency ratio?

Our first-year persistency is around 70 per cent. Renewal premiums constitute 35 per cent of the total premiums.

During the April-February period, IDBI Federal Life has written premiums worth Rs 366.44 crore. Since March is the busiest month, what is your growth estimate for the end of this financial year?

We are looking at a year-on-year growth of 35 per cent in the current financial year. In 2011-12, we are confident of maintaining the pace of our current growth.

Is IDBI Federal planning any capital infusion in 2011-12?

We are yet to finalise our budget for the coming year. However, we started with a capital of Rs 200 crore and our shareholders infused another Rs 250 crore in March, 2009. In February, 2011, we infused additional capital of Rs 250 crore to help us to grow at the aggressive rate that we had set out to achieve.

News	<i>Mishap claims hit insurers hard</i>
Newspaper	<i>The Times of India</i>
Source	<i>http://timesofindia.indiatimes.com/business/india-business/Mishap-claims-hit-</i>

MUMBAI: CEOs of non-life insurance companies met with the Insurance Regulatory and Development Authority on the first day of the new fiscal seeking the regulator's intervention to plug losses arising out of compensation claims from accident victims. In the meeting, non-life insurers told the regulator that the government should share losses out of its consolidated fund if the business were to run as a social obligation.

A fortnight before insurance companies closed their books for the financial year; the insurance regulator asked all non-life insurance companies to set aside funds to meet claims from victims of road accidents under the third-party cover. The industry comprising 24 companies was asked to set aside Rs 153 for every Rs 100 that it had collected as premium. This would result in all companies together providing around Rs 3,500 crore. The hit would be taken by each company in proportion to its overall marketshare which would result in state-owned companies bearing the brunt.

"The first day of the new year is the most important for general insurers since most policies are renewed on this day. But given the overwhelming concern over third-party losses we chose to meet the regulator," said the MD of a non-life company. Several private insurance companies said that they have already informed their shareholders of the need for additional capital either to meet solvency margin requirements or to make good the losses arising out of additional provisions.

The third-party insurance portfolio of insurance companies had been bleeding for over two decades after limits on compensation were removed. Although third-party premium rates have been revised, the increases did not keep pace with the increase in level of compensation. Some years back the IRDA bought time to address the issue by asking insurers to pool all the third-party business into a common fund and share the losses. Insurers were also promised that their premium rates would be increased. Over the years compensation awards rose but premium remained static. This has resulted in a gap in what the motor-third party pool has and the amount that it will have to pay out.

IRDA has told insurers that it will increase rates on third-party insurance with premium for this cover going up by 80% for commercial vehicles. While the new rate card was expected to be implemented from the first day of the fiscal when most renewals take place, The IRDA has not yet announced the tariff.

The government meanwhile has plans to introduce a legislation which will cap the liability of insurance companies. A committee headed by has recommended that compensation for accident victims be capped and

the time limit for lodging compensation claims. The legislation, if it is passed in the present form, will prevent future losses.

Date – 06-April-2011

News	<i>ULIPs lose investor interest; insurance companies' equity holdings plunge</i>
Newspaper	<i>The Economic Times</i>
Source	<i>http://economictimes.indiatimes.com/markets/analysis/ulips-lose-investor-interest-insurance-companies-equity-holdings-plunge/articleshow/7880884.cms</i>

MUMBAI: Equity investments by insurance companies plunged to less than a tenth as policyholders surrendered some unprofitable old ones to shift to more attractive new products, and regulatory changes took sheen off the unit-linked plans.

LIC missed its annual target of buying shares by a huge margin as policy surrenders jumped more than three-fold during the year. Insurance industry's net investment in equities tumbled to Rs 3,138 crore in the fiscal 2011, from Rs 34,809 crore a year earlier, data from the Securities & Exchange Board of India show.

"Drop in equity investments is because of lower inflows, people are moving towards traditional plans," said Prashant Sharma CIO of Max New York Life. Insurance companies are hit by lower flows into once prominent unit-linked insurance plans (Ulips) that had an option to invest a huge corpus into equities unlike traditional insurance plans, where the regulation forced more debt holdings.

Flows into ULIPs fell due to a longer lock-in period that deterred investors and lower incentives made distributors' interest wane. At the beginning of the fiscal year, LIC said it would invest up to Rs 75,000 crore. "Surrenders in the industry is high," says Bajaj Allianz chief investment officer Sashi Krishnan. "Policyholders

are surrendering from their existing policies or not paying renewal premium as the new set of guidelines are better."

SBI Life's chief investment officer Abhijit Gulanikar said that the increase in surrender has reduced the net investment of the industry in equity. SBI Life had seen policy surrenders of over Rs 1,000 crore. The new guidelines on Ulips that were issued by the Insurance Regulatory and Development Authority (Irdi) had capped the surrender charges that one needs to pay while withdrawing from a policy.

The policy had come in force since September 2010. "Insurers are focusing more on single premium and guaranteed products. In these cases, the equity component is not high," said Krishnan. Earlier, there was no cap on surrender charges and companies levied up to 100% at the time of surrender.

The lockin period has been increased to five years. Therefore, people are not renewing their existing policies. While all 100% premium can be invested in Ulips, policyholders have the option to choose between the funds and the proportion. In the case of traditional products, with opaque investment plans, the insurance regulator regulates investment norms.

News	<i>Insurance products: Service tax not likely to dent appeal</i>
Newspaper	<i>The Economic Times</i>
Source	<i>http://economictimes.indiatimes.com/personal-finance/insurance/analysis/insurance-products-service-tax-not-likely-to-dent-appeal/articleshow/7880802.cms</i>

The Union Budget has sought to expand the definition and scope of 'taxable service' to include any service provided to any policyholder or to any person, by an insurer, both in the realm of Ulip)s and traditional policies. The budget proposes to amend service tax rules to provide the following two options for discharging service tax liability.

The first is the payment of service tax @ 10.3% on the amount of gross premium charged from the policyholder reduced by the amount allocated for investment (where the break-up of amount allocated for investment is separately shown to the policy holder). It also includes the payment of service tax on an amount calculated at 1.5% of the gross amount of the premium charged from a policyholder (where the break-up of the amount allocated for investment is not separately shown to the policyholder).

This signals departure from the current practice where service tax (of 10.3%) is levied only on the risk premium of life insurance policies, both of the traditional and unit-linked (Ulip) variety apart from fund management charges (FMC) of Ulips. Thus, the taxable service in re-spect of life insurance service, which was previously restricted in relation to only "risk cover" in life insurance products, no longer remains.

And all and any service provided to a policyholder by a life insurer would be subject to service tax. Consider the hypothetical case of a unit-linked policy, where the premium component is Rs 100, the amount invested is Rs 60 and mortality charges is Rs 5. In the old scenario, in addition to the service tax on FMC on the invested component of . 60, service tax was paid at the rate of 10.3% on the mortality charge of Rs 5, amounting to Rs 0.515.

However, in the new scenario, in addition to the service tax on FMC and mortality charge, service tax is also to be paid at 10.3% on the remaining Rs 35. In case of traditional policies, in the old scenario, service tax was levied at 1% of the total premium.

In the new scenario, service tax is proposed to be levied at the rate of 1.5% of the total premium. Furthermore, as the scope of the definition of service to a policyholder has been widened to include all and any service provided to a policyholder by a life insurer, charges levied by an insurer on a policyholder on account of surrender, switching, ad-ministration, underwriting, revival etc., which currently do not attract service tax, will henceforth come within the ambit of service tax.

However, the new service tax norms will not impact buyers or holders of term plans since they are pure-risk products sans any investment component and the 10.3% service tax currently payable on the entire premium will continue as before. Service tax is normally a passthrough and insurance companies recover the same from the policyholders either upfront in cash or through a debit to respective individual fund accounts.

The current understanding is that the proposed changes will not only impact new policies being issued but also all existing policies on books. The changes would thus mean increased service tax liability on life insurance companies and, in turn, higher service tax burden on the policy-holder .

While the additional tax liability could make new policies dearer, apart from leading to a reduction in policyholders' existing yields, the overall appeal of life insurance is unlikely to be diminished in the face of increasing demand for insurance products coupled with progressively declining cost. While insurance products have traditionally been bought for tax-saving purposes, today, customers are increasingly thinking in terms of life value and planning for the future.

News	<i>Life insurers seek unit-linked relief</i>
Newspaper	<i>Business Standard</i>
Source	<i>http://www.business-standard.com/india/news/life-insurers-seek-unit-linked-relief/431075/</i>

After pension plans, the insurance regulator might take a second look at the unit-linked guidelines as well. The Life Insurance Council has made a representation to the Insurance Regulatory Development Authority (Irda), seeking some revisions pertaining to unit-linked products.

The three areas in which relaxations are sought pertain to the grace period for renewal premiums, flexibility in structuring the charges keeping the overall cap and surrender charges from the sixth year.

“The grace period in case of renewal premiums should be increased to at least 60-90 days so that the policy holders could benefit from it. The current regulations prescribe a maximum grace period of 30 days, which is very short, given there might be some situations beyond the policyholders' control, which might force him to delay the premium payment,” said an official at a life insurance company.

According to the present guidelines, the grace period for policyholders if they fail to deposit the premium on the stipulated date is 15 days for monthly premiums and 30 days for others. If the policyholders fail to respond within the grace period then the policy lapses and the policyholders are given an option to either renew it or discontinue it against charges.

The second issue pertains to the surrender charges for high sum assured policies beyond five years. Irda has scrapped surrender charges for all unit-linked policies from the sixth year.

“Suppose for a high sum assured 15-year policy, if the policyholder decides to opt out after 5 years, then the insurance company will have to redeem all the investments prematurely. This will lead to losses for the company, which is unacceptable. So, we have asked the regulator to consider this issue,” said a source.

Irda caps the surrender charges for the first five years between Rs 6,000-2,000 for policies with annual premiums over Rs 25,000. For policies attracting annual premiums up to Rs 25,000, the surrender charges are capped at Rs 3,000-1,000 for the first five years.

Another issue the insurers are seeking a relaxation on pertains to the structure of the charges in the case of unit-linked plans. “We are okay with the cap on charges. But, there should be some flexibility on how the overall charges are structured,” an insurance official said. According to the Irda mandate, charges on unit-linked plans are evenly distributed during the lock-in period. “This was done to ensure that charges were not front-loaded. But, whether the charges should be front loaded or back-loaded should be left to the discretion of the insurance companies,” said an industry official.

News	<i>Underwriting losses plague insurance companies</i>
Newspaper	<i>The Hindu Business Line</i>
Source	<i>http://www.thehindubusinessline.com/industry-and-economy/banking/article1602476.ece</i>

How many Indian general insurers do you think will be able a handle a catastrophe of the magnitude of the twin disasters that rocked Japan recently? Not more than a handful if you look at their performance in pricing risks. Most of them have made underwriting losses for the last so many years and also during the first nine months of the last fiscal.

Insurance companies, particularly those in the public sector, have been concentrating on acquiring more business but often without sufficient rewards. For years, public players made profits only from their investment income and not from their core business of underwriting insurance.

However, for the nine months ending December 31, 2010, with the exception of United Indian Insurance, the others three insurers, National Insurance, New India Assurance and Oriental Insurance, have posted a loss on their investment income too. These state-owned players have a market share of about 50 per cent of the total insurance business in terms of premium income.

Loss figures

Four public sector companies have reported underwriting losses of about Rs 5,000 crore for the nine months ending December 31, 2010. Underwriting losses were at Rs 4,541 crore in 2009-10 against Rs 4,226 crore in 2008-09.

Private sector players are also trying to bring down their underwriting losses. Fourteen private insurers reported underwriting losses of Rs 782 crore for the nine months ending December 31, 2010.

IRDA concerned

Couple of months back, the insurance watchdog, Insurance Regulatory and Development Authority (IRDA), expressed concern over the mounting underwriting losses of public sectors insurers. The regulator had warned that public sector insurers pare such losses else they ran the risk of being wiped out in five years' time.

They were asked to focus more on underwriting insurance based on risk.

The two growing segments, health and motor insurance, have the highest loss (claim ratio). Importantly, public sector players are aggressive in giving insurance cover to companies at a heavy discount of 80-90 per cent in spite of adverse claims, pointed out private players.

News	<i>Magma HDI General gets Irda nod for R1 licence</i>
Newspaper	<i>The Economic Times (Delhi Edition)</i>
Source	<i>http://epaper.timesofindia.com/Default/Scripting/ArticleWin.asp?From=Archive&Source=Page&Skin=ETNEW&BaseHref=ETD/2011/04/06&PageLabel=14&EntityId=Ar01401&ViewMode=HTML</i>

Magma HDI General Insurance, a joint venture between Magma Fincorp, its associate company Celica Developers and German insurer HDI Gerling International, received the first stage of licence from the regulator. It expects to get the final licence in another six months. Irda had sought clarity on their financial statement last year after the company had applied for the licence in March 2010. "We have approved R1 licence to the company," said a senior Irda official. There are three stages of approval required for getting a licence for an insurance company. R1 is the preliminary approval given by Irda, wherein the regulator evaluates the promoters.

Date – 07-April-2011

News	<i>Insurers await norms on pension products</i>
Newspaper	<i>Financial Chronicle</i>
Source	<i>http://www.mydigitalfc.com/banking/insurers-await-norms-pension-products-948</i>

Life insurers are waiting for revised guidelines from the Insurance Regulatory and Development Authority (Irda) before they can come out with regular unit-linked (Ulip) pension products.

Sales of pension products, which have been growth drivers for life insurers and were among highest selling products, have fallen in the absence of products on shelf for sale. Only LIC has regular Ulip pension product. Private insurance companies are selling traditional pension products, which are non-transparent and often have high charges.

Few private players such as HDFC Life, ICICI Prudential Life have launched single premium Ulip pension plan.

Since September 1, 2010, new guidelines from Irda came into effect, which mandated all Ulip pension products to offer a minimum guarantee of 4.5 per cent.

Despite these guidelines being in place for over 10 months, no private life insurance company has launched a product. Insurers say that they have not been able to calculate a profitable formula to design such a product.

"Offering guarantee on regular Ulip pension has create asset-liability mismatch. No one can guarantee minimum return of 4.5 per cent. What if the interest rate is low in debt products or equity is not giving good return. We are waiting for Irda to make changes in the guidelines," said Sunil Sharma, head- actuary, ICICI Prudential Life Insurance.

"We are waiting for new guidelines on pension plans. It is a important product category. Irda has also understood that none of private players have come out with a product due to though guidelines. Changes are expected soon," said a senior official of a private insurance company.

Irda is working on new guidelines and expected to come out with final version within a month.

As per the latest data, individual new business premium collected by life insurers stood at Rs 69297 crore during April-February compared with Rs 62914 crore a year ago.

News	<i>IRDA issues guidelines on distance marketing of insurance products</i>
Newspaper	<i>The Hindu Business Line/The Economic Times/Business Standard</i>
Source	<i>http://economictimes.indiatimes.com/personal-finance/insurance/insurance-news/irda-limits-scope-of-selling-ulips-over-phone-by-distance-insurance-marketers/articleshow/7891551.cms</i>

KOLKATA: Distance insurance marketers will not be allowed to sell non-single premium Ulips with annualised premiums of over 50,000 per year and single premium Ulips with premiums above 1 lakh per year, over telephone - voice as well as SMS. They will also not be able to sell any variable insurance product through such modes.

Irda has asked insurers to prepare a standard script for presentation of benefits, features and disclosures of insurance policies they sell over the distance marketing mode. It needs to be filed with and cleared by the regulator, before they start soliciting for such covers.

Insurers will also have to disclose the rate of commission available on the product in case the client asks for it.

A set of regulation released by the Insurance Regulatory & Development Authority on Wednesday stipulates that insurance policies sold by marketers through any means of communication other than in person will have to adhere to these rules. These will be effective from October 1.

Reliance Life Insurance president Moley Ghosh said: "Off late, there has been a number of complaints that policies are being sold on false promises. Such guidelines were required. It will now reduce such incidents."

"In all instances where a policy is issued without obtaining a proposal in physical form, insurers shall forward a verbal transcript of the voice/electronic record of the queries raised and answers thereto on the basis of which the policy has been underwritten, along with the policy bond," the Irda rule stipulates.

News	<i>PwC seeks regulator for Indian healthcare sector</i>
Newspaper	<i>Business Standard</i>
Source	<i>http://www.business-standard.com/india/news/white-paper-recommends-regulator-for-healthcare/431261/</i>

A white paper released here on the health insurance scenario in the country has made several recommendations, including a dedicated regulator for the sector, reduction in premium and collection costs and learning from the experience of public-private models, to help broadbase the reach of health coverage policies.

The recommendations, compiled by PricewaterhouseCoopers (PwC), is an outcome of a roundtable meeting

held in January covering industry leaders from insurance and healthcare sectors besides government officials. These recommendations would be submitted to the Insurance Regulatory and Development Authority (Irda) this week, according to Sujay Shetty, leader-Pharmaceutical & Life Sciences, PwC India.

“The healthcare sector is one of the largest and critical-to-people sector. The information asymmetry and the human sensitivity only adds to the complexity. A regulator for healthcare is required now more than earlier as more and more individuals start shifting the onus of financial burden to insurers, who are demanding processes, quality and consistency from hospitals,” the white paper said.

Elaborating on these and other recommendations, Ranga Iyer, a healthcare consultant, said the regulator for the sector could be a part of the present Irda setup.

Companies need to devise new business models and multiple models of insurance products tailor-made for below poverty line (BPL), middle and upper middle class to create the demand for health insurance products.

“Given India’s broad division into three segments — those living below poverty line, the middle class and the upper class — it would be better if India followed a three-tier model since a one-size-fits-all model won’t work well in health insurance. Government, private and public private partnerships would suit all the three tiers to meet the needs of different population segments,” the white paper said.

One of the problems contributing to the ever-increasing premiums of health products is lack of reliable data pertaining to the history of insured persons. To overcome this, the paper suggested setting up of a separate credit bureau on the lines of Credit Information Bureau (India) Limited that was set up for banks and housing finance companies.

According to Iyer, insurance companies can study the community health insurance programmes being successfully implemented in states like Tamil Nadu and Andhra Pradesh to increase rural penetration. Motivating youth to subscribe to health insurance products, making health coverage mandatory for private sector employees are some of the other suggestions.

Though the health insurance sector plays a pivotal role in improving access to healthcare around the world, less than 15 per cent of India’s population is covered under some form of health insurance, including government supported schemes. Of this, around 2.2 per cent is covered under private insurance with rural health insurance penetration less than 10 per cent, according to the paper.

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