Insurance Institute of India

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INSUNEWS

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INSIDE THE ISSUE

Insurance Industry

Infrastructure debt funds need to tap insurance, pension sectors: FM - The Economic Times

Source

Finance minister P Chidambaram has said resources should be mobilised from insurance and pension sectors for infrastructure debt funds.

"For infrastructure debt funds (IDFs), we should try to mobilise resources from insurance and pension sectors as these funds are available for a long-term horizon," the finance minister said on Tuesday, adding that these products were necessary to give a thrust to investment in the infrastructure sector and attain annual GDP growth of 8%.

India requires $1 trillion (about Rs 59 lakh crore at current rates) in the 12th Five-Year Plan period for infrastructure development.

Speaking after launching the maiden IDF scheme of IIFCL Mutual Fund, Chidambaram said the fund would pave the way for setting up more such debt funds.

EC cannot requisition insurance staffers: HC - The Times of India

Observing that an insurance company is not a local authority, the Bombay high court on Wednesday quashed and set aside the order of the Election Commission to requisition employees of an insurance company for election-related work.

A division bench headed by Justice S J Vazifdar heard a petition by Oriental Insurance Company Limited challenging the orders of collector and district election officer requisitioning 38 staffers from its regional office.

The insurer's advocate, Arvind Kothari, argued that the EC did not have the power to requisition insurance company employees.

On a permanent basis, this would adversely affect the company's working. Government pleader D A Nalawade said the EC had powers and the quantum of work justified the requisition.

Source

The judges observed that applying the apex court's criteria, an insurance company cannot be called a local authority. The requisitioning was illegal, they said, striking down the district election officer's order requisitioning the employees.

IRDA Regulation

Irda makes way for product approvals in one week - Business Standard

Products sent for re-filing may now be approved in less than 10 days. The Insurance Regulatory and Development Authority (Irda) officials said they had ensured products compliant with the new guidelines and filed for approval would be cleared in a week's time. Till now, Irda has cleared 50 products under the new regulatory regime for traditional products.

In February this year, the regulator had notified changes in the traditional product guidelines. This include changes in the surrender charges, product structures and commissions paid to the agents. According to these norms, products that do not conform to these norms will have to be re-filed. The deadline for re-filing group insurance products is July 1 and individual products is October 1.

"We have put out all details on our website. If a product meets all guidelines, they will be cleared very fast. If not, it will be sent to be revised and hence will take a longer time," said a senior Irda official. The official added the regulator would employ additional people to fast-clear the continuous flow of products re-filing.

Irda norms meant that after October 1, existing products of life insurers cannot be sold to customers if they are not in tandem with the regulatory changes. Life insurers are now re-filing products ensure that they get the approvals on time and have a complete product portfolio by October. "We have been assured by Irda that all products that are filed will be cleared in a week or less if they meet all criteria," said a senior official of a life insurance firm. The regulator is also considering the request of life insurers to approve priority products. The Irda official said though companies might re-file two to three products at a time, the approval will be given first to those on top priority for the life insurance company concerned.

Source

On an average, Irda approves 20 products every month for life insurance companies. However, with almost 70-85 per cent of existing traditional products coming for re-filing, it is estimated by life insurers that almost 40-50 products could be approved in a month.

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IRDA to set up outposts in Mumbai, Delhi - The Times of India (Delhi edition)

For over a decade that it has been in existence, the Insurance Regulatory and Development Authority (IRDA) has operated out of Hyderabad. This was part of a deal struck by the NDA government with TDP's Chandrabābu Naidu for his party's support to amend insurance laws. As a result, IRDA had been functioning far from the financial markets of Mumbai where most companies are located, and from the finance ministry at Delhi. Sources say that this geographic isolation was one of the reasons why the regulator did not get market feedback of malpractices in the industry. The regulator is trying to correct this by setting up outposts in New Delhi and Mumbai. Offices of the erstwhile Tariff Advisory Committee, which has been taken over by IRDA, are likely to be turned into regional offices.

Source

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Affordable insurance a must: IRDA chairman - The Times of India

Chairman of Insurance Regulatory Development Authority (IRDA) T S Vijayan has called for an apt focus on making affordable insurance cover available to people in the low income groups.

"For IRDA, financial inclusion means making insurance available to lower income groups at an affordable cost," he said at a day-long seminar on financial inclusion through insurance, organised by the National Insurance Academy (NIA) here on Saturday.

Vijayan said, "In order to build a strong system, we must focus on improving persistent communication tools, improving premium policy renewal options, fostering long term distribution partner relations, optimum use of technology for providing services apart from the using brick and mortar structures, ensuring all financial needs can be addressed at one place."

He said, "The insurance penetration in India is 4.1 for life and 0.7 for non- life, which is very small for a country like India. We still have a long way to go."

Arvind Kumar, joint secretary to the Ministry of Finance, suggested suggested re-looking at the policies made. He cited some of the major announcement of the Union Budget 2013 - 2014, including the provision for having insurance offices in all towns of India having population of 10,000 or more; group saving products, which are now being made available to homogenous non-employer-employee groups and to provide a common platform for settlement of insurance claims to bereaved families at the earliest.

Kumar also mentioned about the unequal penetration of insurance in India thus providing an opportunity to improve the same tremendously.

Over 200 delegates including senior executives from public, private sector insurance companies, leading banks, NGOs and others participated in the event. The broad theme for the seminar was 'Millions to Cover- Reaching the Unreached through Insurance.'

Officiating director of NIA Achintan Bhattacharya said, "The academy decided to focus on inclusion through insurance in view of the Union finance minister's budget speech that called for setting up public sector insurance offices in all towns of India which have a population of 10,000 or more.

Source

Chairman of NIA governing board Thomas Mathew said, "Today low income groups can also contribute small amounts towards insurance. He went on to quote C.K. Prahlad, who said, "The future belongs to companies who treat the poor as their customers.

Irda's draft norms for insurers to hedge interest rate risks - The Economic Times

Insurance regulator Irda today proposed to allow insurers to hedge their interest rate risks with long term financial derivative instruments including forward rate agreements and interest rate swaps.

The insurers, as per the draft guidelines on 'fixed income derivates' issued by the Insurance Regulatory and Development Authority (Irda), will also be allowed to hedge their long term interest rate risks through exchange traded interest rate futures.

As per the existing guidelines, the insurance companies can hedge their risks through derivative instruments with a maturity period of up to one year only.

The regulator has sought comments of stakeholders on the draft within 30 days.

The need to review the existing guidelines, Irda said, has been felt in view of the change in investment environment, product structures, change in guidelines by other regulators like RBI.

Irda, the draft said, has been receiving representations from some of the insurers to revisit the existing norms issued in 2004.

Source

It said the guidelines would cover fixed income derivative contracts that are designed to offset potential losses due to probable change in interest rate with policies maturity period of up to 10 years.

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Life Insurance

Life insurers gearing up to meet new norms for traditional products - The Hindu Business Line

Life insurance companies may have to pull up their socks to comply with the new guidelines for traditional insurance products.

The Insurance Regulatory and Development Authority (IRDA) is not in favour of extending the deadline for withdrawing existing products that do not meet the new norms and re-filing them afresh, according to reliable sources.

According to the regulator, all existing group products have to be aligned with the new rules before June 30, while individual products have time till September-end.

The industry has been requesting for more time as it has to recall about 400 products and re-introduce them in line with new design norms with key changes in aspects such as guaranteed surrender value.

“Yes. There have been requests but the authority may not extend the first deadline of June 30 which is immediate,’’ a senior IRDA functionary told Business Line.

Though not pleased, insurers are busy working to meet the deadline. “At Max Life, we quickly adopted ourselves to the ULIP norms after 2010. We hope to do the same again,’’ Rajesh Sud, Chief Executive Officer and Managing Director of Max Life Insurance, said.

“But definitely, there is a need for more time as this is happening at a very quick pace,’’ he added.

Rajiv Kumar, Chief and Appointed Actuary, Bharti AXA Life Insurance Company, said his company was well prepared.

“Actually, we have launched our first product which has been designed in tune with the new rules,’’ he said. Many companies have also started training sessions for their agents on the new products being designed.

BUSINESS IMPACT
Big players, however, are likely to face the heat as they have more number of products.

“For big players, like the Life Insurance Corporation, there may be a product vacuum as product rollout would be tough,’’ Rajiv Kumar said. The industry has its own fears that the regulator may take time to approve new products.

“Going by the track record and skillsets available with the IRDA at present, I fear that it may take some time for product approvals. This would impact the first-year premium growth adversely,’’ said a top functionary of a private insurer.

“I hope that as an industry person, the present Chairman T.S. Vijayan is aware of these issues,’’ he added.

Source

It remains to be seen how the new norms impact the industry as it is just recovering from the decrease in business it suffered after regulatory changes in unit-linked insurance plans in 2010.

Profits of top private life insurers rose 7% last fiscal – The Hindu Business Line

The top seven private sector life insurance companies, which account for about 70 per cent of the first year premium income, saw their net profits rise 7 per cent last fiscal (2012-13). However, the industry as a whole saw new business premium collections dip amid a tough business environment.

Apart from poor renewals of life insurance policies, the exit of some 2 lakh agents last fiscal affected the industry badly.

While Max Life and Kotak Life saw an 8 per cent and 7 per cent decline in their net profit, respectively, HDFC Life and SBI Life witnessed a 66 per cent and 12 per cent increase in profits respectively.

The largest private life insurance company, ICICI Prudential Life, posted an 8 per cent rise in net profit to Rs 1,496 crore in FY13 against Rs 1,384 crore during the previous year.

A Goldman Sachs report on the sector states: "Slower volume growth, lower cost ratios, high surrender/lapse fees have been supporting profit growth for companies.

"However, insurers will now have to focus on efficiency and productivity levels as the share of surrender charges and lapse charges in overall profit will fall as the old policies (sold prior to September 2010) on which charges were high will run off."

According to analysts' estimates, even though the surrender profits of life insurance companies have come down this year, they continue to constitute a major portion of their profits. Along with the drop in the number of agents, the industry also saw large-scale surrender of insurance policies and low rate of renewals (persistency) of policies.

"Even though in the first year the rate of renewals of life insurance policies is about 65 per cent, it goes down to 25 per cent by the third year. The low rate of persistency is a huge issue with the life insurance industry," said Shaswat Sharma, Partner, KPMG.

Life insurers have also cut down on the number of branches. From over 11,100 branches in 2011, the total number of branches fell to 10,300 by 2012-end, as cost pressures hit the branch expansion and existing non-performing offices were shut.

"Life insurance is still viewed largely as a savings and investment product. With other financial savings products offering better returns and in an environment of tighter regulatory norms, insurance agents have not been able to push ULIPs which, among other factors, has contributed to the muted profitability of the life insurance companies last fiscal," said Sharma.

Source

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Health Insurance

MNS launches insurance scheme for autorickshaw drivers – The Times of India

Maharashtra Navnirman Sena, Maharashtra Navnirman Vidyarthi Sena and Maharashtra Navnirman Vahatuk Sena have launched a health insurance scheme for autorickshaw drivers.

Sachin Chikhale, president of the students' wing told mediapersons at Pimpri said that the autorickshaw drivers do not get timely medical treatment due to their poor financial conditions. So the party has started a life and health insurance scheme for them. A total of 30 autorickshaw drivers have taken the benefit of the scheme in the first phase.

Chikhale said, "The rickshaw drivers will not have to bear any expenses to get this insurance cover. They will get personal life insurance and health insurance cover of Rs 1 lakh each. The benfit of the health insurance scheme can be taken by the wife and two children of the autorickshaw driver."

Source

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Irda's health insurance: Hospital size is a hurdle - Business Standard

Several measures in the health insurance standardisation programme, set to be implemented from July 1, are customer-friendly. However, the clause pertaining to the size of hospitals may prove to be a hindrance to many, especially pregnant women. Though the step may be aimed at ensuring customers don't go to unauthorised and unregulated hospitals, the clause could affect patients choosing smaller hospitals.

According to the Insurance Regulatory and Development Authority's (Irda) guidelines, the criteria for a hospital includes at least 10inpatient beds in towns with a population of less than 10,00,000, and 15 inpatient beds in others. In addition, the hospital should have qualified nursing staff and medical practitioners round the clock and a fully-equipped operation theatre. It should also maintain daily records of patients.

Most insurance companies have their individual network of hospitals that meet these criteria. For one to claim reimbursement from a company after being admitted to a non-network hospital, the hospital would have to meet Irda guidelines.

This is even more pertinent for maternity hospitals, many of which are small in size. A senior Mumbai-based gynecologist says several small nursing homes meet all the other criteria laid down by Irda, except the one on the number of beds. “There are many recognised delivery centres that have less than 10 beds, especially in Mumbai’s suburbs,” she says. Vivek Desai, managing director of Hosmac (a healthcare consulting firm) and a practising doctor, says due to high population density in big cities, the number of small hospitals there is more than in small towns. He, however, adds while the clause related to the number of beds may lead to hurdles in the short term, it would eventually help customers.

“Smaller hospitals are already facing woes because patients prefer to go to bigger hospitals, especially those which have health insurance. Also, treatment for critical care would be an issue in smaller hospitals,” he says. Of the 20-odd general insurance companies in India, only six offer maternity cover under individual and family floater policies. The waiting period after which one can claim insurance is two to six years.

The remaining companies offer these policies only under group policies, whose terms and conditions aren’t known beforehand. Divya Gandhi, head (general insurance & principal officer) at Emkay Insurance Brokers, says the restriction on the size of the hospital is aimed at addressing fudged bills, a factor common to many small hospitals. “Not all third-party administrators have the manpower to physically check all bills. So, if there is a limit on the bed size, it is similar to an assurance that the hospital would be audited and forged claims would be few,” she says, adding that the large number of small maternity hospitals in metros could be a hurdle.

Source

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General Insurance

Third-party motor cover tops growth chart in non-life biz - Financial Chronicle

The non-life insurance industry covers areas such as health, motor, fire, property and personal accident and keeping aside growth rates in most of them, no major segmental changes are generally noticed. However, during the end of the latest financial year (April 2012 to March 2013), some segments were seen to have gained noticeable traction with regard to the level of gross premium underwritten.

This is seen in an FC Research Bureau analysis of latest data on non-life insurers’ gross premium underwritten released recently by Insurance Regulatory and Development Authority (Irda). The data reveals during FY13, collectively, all non-life insurers, comprising 21 private-sector and six public-sector ones, underwrote a gross premium sum of Rs 69,000 crore, which was 19 per cent more, compared with underwriting done in FY12.

Of the largest non-life insurance segments of motor insurance, health insurance and fire insurance, motor insurance (third party) showed the highest year-on-year (YoY) growth of 28 per cent with gross premium underwritten across all the insurers being close to Rs 13,000 crore in FY13. Gross premium underwritten in motor insurance (own damage) also rose, but by a lower growth rate of 19 per cent to Rs 16,800 crore. Fire insurance underwriting grew by a high rate of 23 per cent to Rs 6,640 crore in FY13.

Health insurance was the only major non-life segment that saw a growth rate lagging behind the aggregate growth rate. It saw a gross premium underwriting of Rs 15,340 crore in FY13, 16 per cent more than that seen in FY12. All other specified segments also saw lower growth rates with aviation insurance even recording a de-growth.

In total gross premium underwritten across all segments in FY13, the share of motor insurance (own damage) stayed the highest at 24.3 per cent, staying fully unchanged from its share in FY12. Health insurance saw its share decline from 22.7 per cent to 22.2 per cent. What grabbed a larger chunk of the industry pie was underwriting in motor insurance (third party) where it went up from 17.4 per cent to 18.8 per cent. This was aided mainly due to Irda’s leeway to non-life insurers to increase premium rates for third-party motor insurance where commercial vehicles contribute the most and which is unavoidable since third-party motor insurance is mandatory in law.

Private non-life insurers helped sustain motor insurance (own damage) premium underwriting with a rise from Rs 8,350 crore in FY12 to Rs 10,030 crore in FY13. A muted growth was seen in their public-sector counterparts, where it rose from Rs 5,770 crore to Rs 6,760 crore. The scenario was exactly reverse in case of growth rates in motor insurance (third party) which was mainly due to lower third-party motor insurance premiums offered by public sector insurers compared with private sector peers.

Health insurance premium underwriting was affected partly because of a fall in gross premium underwritten seen in the second-largest insurer in this segment. Star Health & Allied Insurance’s premium underwritten fell to Rs 840 crore from Rs 1,070 crore.

Source

Bancassurance

Insurance Regulation and Development Authority likely to revise norms for bancassurance - The Times of India

The Insurance Regulation and Development Authority (IRDA) is considering issuing of revised guidelines for the 'bancassurance' business to enable greater penetration of insurance cover in the country. IRDA chairman T S Vijayan told reporters on Friday that his office has been in discussion with insurers and bankers and wants

to assess whether it would be possible for banks to sell products of multiple insurance companies. He said this will help banks with greater flexibility and provide a wider choice to customers. Bancassurance refers to selling of insurance products through banks.

"We may arrive at a structure wherein the banks will sell insurance products of different companies in different zones," Vijayan said. In the present scenario, one bank can become bancassurance partner of only one insurance company and this may lead to restrictions on insurance penetration due to limited presence of an insurance provider, he added. A ticklish aspect of this debate is that some banks are promoters of insurance companies and may be reluctant to sell products of other insurers, Vijayan said. He added that the regulator will come out with a discussion paper on the issue soon.

Meanwhile, the IRDA has been working to enhance the transaction software platform of Common Service Centres (CSCs) to make it possible to issue insurance policies in the electronic form and also to process all the primary processing of information about the assured, Vijayan said. This will help reduce costs of insurance companies and encourage them to reach the uncovered population, he said. The enhanced software platform is likely to be up and ready in the next couple of months, he added. "The entire thrust is to offer insurance to the people at an affordable price," he said.

Vijayan was in the city to address a seminar on financial inclusion through insurance at the National Insurance Academy, organized in the wake of finance minister P Chidambaram's budget announcement that every town in the country, with a population of above 10,000, will have an office of at least one insurance company. The speakers deliberated on the various approaches to accomplishing the objective through participation of insurance companies, banks, microfinance organizations and financial intermediaries.

Vijayan said in his presentation that IRDA has done away with the requirement of prior approval for insurance companies wanting to open new offices in places in tier-3 and below categories. This will help a speedy rollout of offices in the desired locations, he said. "Insurers should device products to suit the needs of the intended beneficiaries, identify cost-effective methods of delivery of products through long-term partnerships with distribution players, he added.

Arvind Kumar, joint secretary in the department of financial services of the Union government, said the insurance penetration in the country, expressed as a relation between premium collected and the GDP, is extremely low as compared with some of the advanced nations. General insurance penetration is particularly low, he said. "The underprivileged categories like marginal farmers set aside a pat of their produce or income for emergency situations. If they are offered proper insurance products, this income can flow into capital investments which will increase their productivity," Kumar said.

Source

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Global News

China insurers in solvency breakthrough - http://www.reactionsnet.com

For the first time, all Chinese insurers met the solvency requirements in the first quarter of 2013, the China Insurance Regulatory Commission reported. Most Chinese insurers are expected to stay at a solvency level of above 150% in the second quarter of China's fiscal year, 2013, ending September 30, the regulator said.

Insurers in solvency levels between 100% and 150% are required to submit a plan on how they will prevent the ratio from falling below 100% to the China Insurance Regulatory Commission (CIRC). An insurer may have business operations restricted if the company has a solvency ratio less than 100%.

Continued improved in insurers' solvency levels has been noted in recent years. In the first quarter of 2013, only three life insurers did not have a solvency ratio above 150%. "In the non-life sector, insurance companies faced solvency pressure relative to capital and surplus levels as evidenced by the peak amount of new capital and subordinated debts issued by non-life insurers in 2011 and 2012," said AM Best.

However, a slowdown of premium growth would benefit the non-life sector's solvency levels, said AM Best. Second-generation solvency regulatory framework for insurers was recently issued by the CIRC, setting out three pillars of solvency regulation including quantitative capital requirements, qualitative requirements and market mechanisms.

Source

Insurers are also required to ensure their capital adequacy corresponds to their risk profiles. The CIRC is scheduled to spend three to five years to set up the second-generation regime which will balance the country's needs with the international solvency requirement.

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AM Best: European floods to be earnings hit - http://www.reactionsnet.com

Economic losses are expected to far exceed insured losses in the aftermath of the central European flooding, AM Best predicts. AM Best has been analysing the impact of the heavy rain and subsequent flooding throughout Central Europe across May and June 2013.

Insured losses remain unclear as the situation is still developing in the Czech Republic, Germany, Austria, Poland, Hungary, Slovakia and Switzerland, AM Best said in a recent report of the disaster. Insurers and reinsurers rated by AM Best and hit by the recent floods are expected to have an earnings event rather than a hit to capital.

"Rate rises and higher deductibles are anticipated for flood cover, and possibly also for the non-flood components of retail and commercial property policies. Flooded regions may also be reassessed and flood zones remapped," said Yvette Essen, director of AM Best's industry research for Europe and emerging markets.

Stefan Holzberger, managing director of AM Best's analytics, said: "The first five months of 2013 have been benign for natural catastrophes and large losses, and as a result, the flood losses are well within most companies' cat loss budgets for 2013." Central European governments are likely to come under increasing pressure to protect citizens against further floods, AM Best predicts.

Governments are expected to spend more on flood prevention infrastructure, and may create flood insurance pools or make flood insurance compulsory in flood-prone territories. The recent flooding is the worst to hit Central Europe since 2002, which caused economic damages of €17bn and estimated insured losses of €3.4bn. However, since 2002 flood protection has improved and insurers have introduced higher deductibles or withdrawn cover in loss-prone areas.

Source

To date fewer major economic centres and municipal towns have been flooded than the floods of 2002. Rural areas tend to be hit hardest, and underinsurance is common in the affected towns. In Eastern Europe, many residential property owners are uninsured, said AM Best.