Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"Don't judge each day by the harvest you reap but by the seeds that you plant"

Robert Louis Stevenson

INSIDE THE ISSUE

Source

Insurance Industry

Pvt insurers meet FM, pitch for FDI ceiling hike to 49% - The Financial Express

Finance minister Arun Jaitley and minister of state for finance Nirmala Sitharaman on Thursday met the chiefs of private sector insurers. The talks are learnt to have been on the insurance industry's capital requirements and relaxation of the ceiling on foreign investment. The industry also demanded tax incentives in the Budget to boost the sector.

The meeting was attended by insurance regulator IRDA's chairman TS Vijayan. Representatives of the sector have been pressing for a hike in foreign investment ceiling from 26% to 49%.

Following the meeting, when asked if there was objection from the sector on a proposal to hike the cap to 49% but with the rider that it will only be with voting rights restricted at 26%, Sitharaman said: "We are talking. It was a pre-Budget discussion."

Another proposal being considered is to specify that the relaxation of 49% foreign investment will be applicable to the non-life segment first, then to health and later to life insurance. ICICI Lombard General Insurance managing director and CEO Bhargav Dasgupta said, "We discussed various aspects, including increasing penetration. There was lot of discussion on FDI in insurance but nothing concrete. Discussion was on how to attract more capital in the industry and promote growth."

Back

Industry divided over insurance repositories - Business Standard

The Insurance Regulatory and Development Authority (Irda) has asked all life insurers to participate in the pilot launch ofInsurance Repositories (IRs) from July 1, 2014. The move is aimed at ensuring life insurers have at least some insurance policies in digital format.

However, industry players are divided over whether the new system - which allows policy holders to buy and keep insurance policies in electronic form, rather than as a paper document - will be beneficial from the business as well as customer perspective. So far, five companies have been given licenses to become Irs.

Not all life insurers have tied up with all IRs, which they will have to do in due course. However, it is not clear as to what additional services these IRs will provide, a senior official with a large life insurance company said. "Though they (IRs) would digitise policies, we do not know what the add-on services are. At the face of it, it looks like they would merely provide a platform for viewing documents, for which each IR would charge a commission."

It is expected there would be stiff competition among the IRs. "If an IR offers a better price, there would a tendency to push a customer to get his/her policy digitised with that particular entity. This would be detrimental from a customer perspective," said an insurance industry expert.

S V Ramanan, CEO of CAMS Repository Services, said the pilot - whose duration will be two months from July 1 - will bring clarity to the system as customers can choose which repository's service to avail of.

During the pilot, life insurers will have to convert at least 1,000 or five per cent (whichever is less) of the existing individual policies into electronic form for each of the IRs. This is subject to a lower limit of 250 policies per IR. Ramanan added that an annual maintenance charge would be applicable, which could be decided between the insurer concerned and the IR.

In the absence of an underlying agreement between insurers and IRs, the fee structure shall be as mutually agreed for the pilot launch. The upper limit of charges has been fixed at Rs 60 for e-Policy Issuance (New policy) payable by the insurer to IR and Rs 40 for e-Policy Conversion (of existing policy).

"This is still cheaper than the Rs 500-600, which companies spend annually per policy's maintenance and storage," Ramanan pointed out. Irda said during the pilot launch, insurers will not reject any request for electronic policy - both for conversion of existing policies and for issuance of new policies.

Subrat Mohanty, senior executive vice-president (strategy and customer relations) at HDFC Life, explained that the economics work well for new customers who can avail of this facility at the initial stage itself. He added that in the long-run, old customers will also become a part of this process and reap benefits.

For the policies converted/issued in electronic form within an e-insurance account, the IR would be responsible for providing mandatory information such as policy status including premium, net asset value, bonus, loan, claims and nominee/assignment status. Premium due calendar, online premium payment facilitation, premium history and annual statements will also be available. The repositories have been asked to submit a fortnightly report on digitisation of policies starting from July 16. Any entity not participating in the pilot will be subject to regulatory action by Irda.

At present, there are more than 330 million life insurance policies and 90 million general insurance policies in India. Irda's estimates suggest that an insurance company spends Rs 150-200 per customer a year in maintaining policies in the physical form. The new initiative by Irda is expected to save more than Rs 100 crore for the industry.

Source

Back

Ships with Iranian insurance can continue to call at Indian ports - The Hindu Business Line

India has decided to extend by six months the special permission granted to ships with Iranian insurance to call at the country's ports, a government official said.

This will enable New Delhi to get continued supply of oil from Iran, albeit reduced volume, despite the US sanctions against the West-Asian nation.

The six-month extension given to Iranian ships in January expires this Friday and New Delhi's decision assumes significance particularly in the context of the trouble in Iraq, the second largest source of crude supply to India now.

Normally, ships without insurance from Intentional Group of P&I Clubs are not allowed to call at Indian ports. This is because in the event of any mishap, there is no guarantee that the claims will be settled by the ship's owner.

India granted special permission to vessels with Iranian insurance after European insurers imposed ban on Iranian voyages, following the US and EU sanctions. Indian ships or other flag carriers cannot carry Iranian cargo as international P&I insurers stopped cover to vessels carrying such cargo since 2012 following the US sanction against Tehran over its nuclear programme.

As recommended by the committee constituted by the government, vessels insured by two Iranian P& I Clubs — Kish and QITA — are allowed to enter Indian waters, the official said. Earlier, India reportedly insisted on Iran providing financial guarantee for granting extension.

However, following the request made by Tehran, which was India's second largest exporter of crude till 2011, New Delhi agreed to grant permission on Iran's sovereign guarantee.

Source

After the insurance ban, India has been cutting its purchase of oil from Iran. India's import dropped to 11 million tonnes last fiscal from 18 million tonnes a couple of years ago.

IRDA Regulation

MORE COVER - IRDA mulls norms to stop mis-selling - The Times of India (Delhi)

Insurance regulator IRDA has come out with draft norms that will prevent agents from misleading clients into surrendering their life policies at a loss to buy a new one. The regulator has put the onus on the insurer to demonstrate to the policyholder that buying a new policy will be profitable.

The draft regulation on cancelling old policies and replacing them with new ones come on the back of complaints regarding mis-selling by agents. Many policyholders' agents inform them about a new product that, the agent claims, is far superior and which will provide better returns than the policy currently owned.

Some policyholders have been approached by intermediaries masquerading as Insurance Regulatory and Devel opment Authority (IRDA) officials advising them that their old policies need to be replaced. In almost all the cases, the agent stands to profit while the policyholder stands to lose. The incentive for the agent to mis-sell is the 35% first year commission, which drops to 5% in subsequent years.

For the policyholder, the 'cancel and replace' process is always a loss-making one because he ends up paying higher premium due to advancement of age and there is also a possibility of higher charges due to changes in lifestyle and health conditions. The biggest loss is the lower returns he gets on account of discontinuing his existing scheme prematurely.

"On examining the existing business practices adopted while soliciting life insurance business and in order to protect the interest of policyholders by letting them have an informed choice while replacing the existing policies, the authority proposes to issue suitable guidelines," IRDA said in a circular to all insurers. The guidelines will be notified after receiving comments from all insurance companies for which July 20 has been fixed as the last day.

Source

The new norms disallow an agent from cancelling an existing policy and selling a new one. In cases where it is unavoidable, the regulator has asked the insurer to document the entire process and submit to the policyholder a document highlighting the loss he will suffer and the reason for recommending the new policy.

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Life Insurance

Life insurance firms can't float investment scheme, claims PIL - The Economic Times

Gujarat High Court today issued notices to the Government of India, Finance Secretary, Insurance Regulatory and Development Authority and 19 major insurance companies, including LIC, over a public interest litigation alleging 'corrupt practices'. A division bench of Chief Justice Bhaskar Bhattacharya and Justice J B Pardiwala posted the hearing to July 3, directing all the 22 respondents to file their replies.

The petitioner, a city-based chartered accountant Kailash Maheswari, had objected to insurance plans such as Pure Endowment, Endowment, Unit linked Plans and Term plan with Return of Premium."As per law, life insurance business is only meant to be a business to compensate the beneficiaries in case of death of the policyholder," the petition said, adding "payment on survival" is outside its purview, therefore all the savings as well as investment plans of insurance companies are illegal.These companies do not have a licence to do the business of collecting saving deposits or the investments, it said. The petitioner wanted action against insurance companies under provisions of Prize Chits and Money Circulation Scheme (Banning) Act.

Source

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Life insurers expect robust growth in FY15 - Business Standard

Life insurance companies expect robust growth in new business premiums in FY15, on the back of more transparent products in the traditional product segment introduced in January 2014. According to insurance companies, customer interest to buy products would be accentuated by tax incentives for life insurance products in the upcoming Budget.

The life insurance sector has seen a 11.5 per cent rise in new premiums for FY14. Life insurers collected total premiums of Rs 1,19,641 crore for FY14, compared to Rs 1,07,235 crore in FY13.

Reliance Life Insurance chief executive Anup Rau said: “Our focus for the current financial year is to build successes of the last year, sustain business momentum, improve business quality further, enhance service experience and increase cost efficiency. We are confident of double-digit growth in 2014-15 with a focus on traditional products, agent productivity and improved quality of business, which is reflected by way of increased average ticket size."

Rau explained that if one looks at the number of uninsured and under-insured in the country, the long-term perspective for the industry and life insurers is very positive. Reliance Life Insurance has recorded a 40 per cent rise in its new business premium income in the financial year ended March 31, 2014. Helped by a significant increase in individual insurance segment, Reliance Life saw its new business premium collection rise to Rs 1,934 crore by the end of FY14, from Rs 1,377 crore a year ago.

From January 2014 onwards, life insurance companies were under a new regulatory regime for their traditional product portfolio. The new rules made changes in the surrender charges and product structure, making the policies more transparent.

Insurers said that while there were some hiccups in the initial one or two months, customers have now become comfortable in purchasing them. Sandeep Batra, executive director at ICICI Prudential Life Insurance, said products have become transparent and more customer-friendly, the on-boarding process is simplified and spells convenience. “The overall positive economic sentiment scores well for the Indian life insurance sector, which in turn could lead to a double digit growth in premiums,” he added.

Source

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As Sensex soars, insurers fear high Ulip surrenders - Financial Chronicle

The current boom in the stock market is giving sleepless nights to insurance companies, with a growing number of policyholders surrendering unit-linked insurance policies. With surrender penalties reduced on Ulips, insurers fear that more policyholders could book profits, as the stock market is expected to rise in the days to come.

Subrat Mohanty, senior executive vice-president at HDFC Life Insurance told Financial Chronicle, “It is true that most of the surrenders are happening in Ulips, but this is the case for all insurers and not just bank-promoted insurers. These policies were sold in 2008-09 and 2009-10. So, there are no surrender charges in many of these plans or the lock-in is over. The surrenders are coinciding with the bull run, as Ulip holders are exiting to book profits.”

He said, “We continue to educate our policyholders about life insurance being a long-term investment.

“There are people who take a short-term view. Surrender penalties have reduced drastically after the 2010 Ulip regulations. We do feel that with a rising stock market, there is a risk of more Ulip surrenders,” Mohanty said.

Ulips are insurance-cum-investment plans where a small portion of the premium is deducted (as mortality charge) towards providing an insurance cover, while the rest of the premium is invested in equities or debt or a mix of both.

The country’s largest private life insurance company, ICICI Prudential Life Insurance paid surrender benefits of Rs 3,002 crore during January-March, of which, Rs 1,406.6 crore was from Ulip-pension plans and Rs 1,257.7 crore from Ulips. The company paid surrender benefits of a whopping Rs 11,306.58 crore during 2013-14, of which, Ulip pension plans and Ulips accounted for Rs 9,944.5 crore. The surrender payouts made by ICICI Pru Life were more than three times the new business premium (Rs 3,285.17 crore) it managed to collect during 2013-14.

Similarly, for the quarter ended March 31, HDFC Life Insurance paid surrender benefits worth Rs 1,080 crore, while during 2013-14, surrenders stood at Rs 3,509 crore compared with Rs 3,130 crore in 2012-13. In this case too, a majority of the surrenders were Ulips.

Sandeep Ghosh, managing director and chief executive officer at Bharti Axa Life Insurance said, “It’s ironical, but a good equity market has accelerated the rate of surrenders of Ulips. We are seeing higher surrenders, including from policies sold in 2010, 2011 and 2012, as the new Ulip norms have capped surrender charges at Rs 6,000. The money moves into a discontinued fund and earns interest like a fixed deposit.”

"Insurers who have large banks as bancassurance partners will also be affected by surrenders. This is because top banks have a large base of high networth individual (HNI) customers who prefer to buy Ulips. As the stock market continues to rise, surrenders of Ulips are a key risk. Also, surrender profits of insurers are going to fall since surrender penalties have reduced since October 2010," Gosh added.

While surrenders are a problem for all insurers, those that have large banks as bancassurance partners are affected the most. This is because, after the revamp of Ulip regulations in October 2010, insurers that did not have banks as distributors cut down selling Ulips and moved towards selling traditional policies. However, those that relied on banks to distribute their policies had to offer Ulips, as HNI customers of banks preferred investing in Ulips.

Sensex posted 6 per cent return in the January-March quarter. Similarly, during January 2013-January 2014, the market posted a return of 8.12 per cent.

Customers can surrender Ulips bought before September 1, 2010, and the insurer will refund the amount on the basis of the current NAV minus surrender charges. A minimum locking period of five years would apply if the policy has been bought after September 1, 2010. In the second case, customers can stop paying premium for the next five years, after paying a single instalment. The money would get transferred to the policy discontinuation fund and refunded after five years, while the insurance company would be entitled to deduct maximum of Rs 6,000 from the amount. The amount parked in the discontinuation fund would fetch a minimum 4 per cent interest at the rate offered by savings bank accounts.

Source

In the case of traditional policies, policyholders have to pay premium for at least three years to get a surrender value. Policyholders stand to forfeit the entire invested amount if the premium has not been paid for three consecutive years.

Back

Insurers alone are to blame for high surrenders of Ulips - Financial Chronicle

Unit linked insurance policies (Ulips) which had been in the limelight since November 2009 for one wrong reason or another, are back in focus, with the anticipated high rate of surrenders. Financial Chronicle reported yesterday that insurance companies have been facing a peculiar problem in the past couple of months with a large number of Ulip holders surrendering their policies to encash their investments.

This has resulted in far higher cash outflows from some of the insurance companies out of surrender benefits than inflows from new premium collections. Rather than introspect on why investors are encashing their Ulips, insurance companies are shifting the blame to bullish market conditions. This is pure hogwash. For far too long insurance companies have been fooling investors by hawking Ulips, by collecting usurious charges and fees or by making ridiculous deductions at time of surrender, even as they have been passing on risks to investors. Only after the changes made by the insurance regulatory and development authority (Irda) in 2010 have policyholders been spared the trauma of largescale mis-selling by insurers. Yet, anomalies remain as with minimum lock-in periods and deductions on surrender. Insurers have also been selling Ulips promising high long-term returns. However, with no clarity on time frame, fund managers have been conveniently misusing the term to cover their incompetence.

The exact details of which Ulips investors are surrendering are unknown, but it is possible that a big chunk may date from the pre-2010 period. Front-loading of management fees and other charges meant short-changing investors wanting to surrender in the first three to four years. Now, with four years behind and stock market touching new peaks every week, investors are somewhat insulated from shocks than they were a year ago. Unfortunately, certain insurance companies are now using the current spurt in market sentiment as a selling point for new schemes. It has also been claimed in newswire reports published in this paper that specific Ulip schemes have outperformed the Nifty in financial year 2013-14. We believe that this is a rather short period to establish a trendline.

The insurance regulator should monitor and warn insurance companies from posting doctored information to woo investors. The high surrender rate of Ulips is a collective reaction from investors who were misled into buying these policies, as they had few profitable options other than staying invested, because early surrender could deny them the principal invested. In the past, several investors in Ulip and other traditional life policies have even lost their entire investments by not renewing policies, as they could not afford to pay the high premiums at the time of yearly renewals. In each and every such case, insurance companies happily pocketed the premiums already paid, without bothering about the plight of investors. Small wonder then, the chickens are now coming to roost. Investors who had the ability to renew and wait a few years have now decided to move out.

The current surrender, following a spurt in market sentiments, should barely help investors cover their losses. It does not mean they are naive about timing their exits. A lot of them could very well reinvest their redeemed principal back in equities through non-insurance channels such as equity mutual fund schemes. This hopefully will sensitise the insurance industry to the real needs of investors and not get blinded by the competitive fervour to post high growth in premium collections. Insurance companies must realise that there is no substitute for clean financial products that are profitable for all.

Source

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Life insurers eyeing ATM channel to sell products - The Hindu Business Line

Life insurance companies are considering a proposal to leverage the wide ATM network of banks to sell their products.Speaking at the Insure India Summit organised by Fintelekt, P Nandagopal, MD and CEO of Indiafirst Life Insurance, said, “Banking sector has the maximum reach in the financial services sector in India and currently most of the transactions in banks are happening through ATMs.

“So, the idea is to ride on the wide ATM network and offer life insurance products to bring down the overall distribution cost. This will make life insurance products more attractive from the customer’s point of view.” Nandagopal said that the life insurer is currently in discussions with the National Payments Corporation of India to study the feasibility of such a model.

“If the model is implemented, the entire policy experience for the customer will completely change. Customers can be given something like smart cards, whereby they can check the entire policy value at an ATM and can also make payments through it,” he said.

Source

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Health Insurance

Revamp of health insurance plan for poor on the cards - The Economic Times

The new government is proposing a comprehensive revamp of the health insurance scheme for the poor in a move that will benefit a further 11 crore people, mostly belonging to below poverty line (BPL) families.

The measures involve enhancing the transport allowance, introducing wellness checks and extending the validity of smart cards issued under the Rashtriya Swastha Bima Yojana (RSBY), a scheme that was introduced by the previous United Progressive Alliance government.

The beneficiaries will be eligible for transport allowance of Rs 200 per hospitalisation with a maximum cap of Rs 2,000 in a policy period, a senior government official told ET. Currently, a beneficiary is eligible for Rs 100 per hospitalisation with a maximum ceiling of Rs 1,000 a year as transport charges, which are reimbursed by the hospital at the time of discharge.

According to the official, the ministry has also proposed to increase the validity of the smart cards, which are needed to participate in the scheme, thereby saving on its cost, which is borne by the government.

Smart cards cost Rs 60 and now need to be renewed every year. If the proposal is accepted, the card will cost Rs 100 and be valid for three years. "This will make it convenient for the beneficiaries besides enabling us to saveRs 80 per card issued," the official added. "The ministry of labour and employment has already circulated a Cabinet note for inter-ministerial discussion and an announcement to this effect could be made in the budget."

RSBY, a flagship scheme of the UPA government launched in 2008, aims to provide protection to BPL households from financial liabilities arising out of health shocks that involve hospitalisation.

Under the scheme, the beneficiaries are entitled to hospitalisation coverage of up toRs 30,000 for most diseases that require hospital stay. The coverage extends to five members of a family which includes the head of the household, spouse and up to three dependents. Beneficiaries only need to pay Rs 30 as registration fees while the central and state governments pay the premium to the insurer.

Being a centrally-sponsored scheme, 75% of the premium is paid by the central government and the rest by the state government.

However, in the case of northeastern states and Jammu and Kashmir, the Centre pays 90% and the state 10%. RSBY was initially designed to target only BPL households, but was recently expanded to cover a number of non-BPL categories of informal sector workers, including street vendors, domestic workers, beedi workers, building and construction workers, and most importantly, those who have worked for more than 15 days under MGNREGS. The target is to cover 7 crore households by the end of the 12th Five-year Plan (2012-17).

Source

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Rs 18,000 crore required to extend health insurance coverage - The Economic Times

Investing about Rs 18,000 crore or 0.2% of the GDP efficiently can help India extend basic health insurance coverage to almost 80% of the population, a CII healthcare subcommittee has estimated.

The CII study, which recommends a roadmap for Universal Health Coverage (UHC), assumes an average annual premium of Rs 900 per family, where each family is taken to have five members and excludes administrative costs. The health ministry is currently consulting stakeholders including states and development agencies to evolve the most suitable 'health assurance for all' plans for the country.

While taking charge last month, union health minister Harsh Vardhan had promised health insurance for everyone. "At any given point of time, less than 5% of the population needs hospitalization. India can convert its large population base into an asset and use its demographic dividend to its advantage while rolling out UHC," said A Vaidheesh, vice president, Johnson & Johnson, and chairman, CII healthcare sub-committee on health insurance.

The demographic dividend refers to a period when the share of young and working people in a country's population outnumber dependents significantly.

The Centre currently runs multiple health insurance schemes such as Rashtriya Swasthya Bima Yojana (RSBY), Central Government Health Scheme (CGHS) and Employee State Insurance Scheme (ESIS), while states like Andhra Pradesh Tamil Nadu, Karnataka operate their own programmes, often duplicating efforts at a time when resources are scarce.

It is necessary that all schemes are brought under one umbrella for efficient pooling and management, Vaidheesh said. The CII paper indicates that the premium per family for secondary and tertiary care shall be less than Rs 900 per family and proposes that health insurance be used to provide a secondary care package of Rs 60,000 topped by a tertiary care package of Rs 2 lakh.

The extent of disease to be covered and the proportion of the population government can finance or subsidize would finally depend on the resources that can be allocated toward this, Vaidheesh said.

"We are proposing that health insurance be made mandatory and even though a free-for-all UHC would have been an ideal case, we believe this would delay the process of universalization. Hence, people above the poverty line, self-employed and employed in the formal sector should pay for secondary and tertiary level cover while government funds should be used to cover to the poor and vulnerable sections. Primary healthcare should be continued to be available free of cost," Vaidheesh added.

The study by the industry chamber argues that creating a self-paying segment can make the delivery system more accountable as such a customer is always more demanding than a beneficiary who receives free benefits.

"A sustainable UHC plan for India has to be a judicious mix of contributory and welfare system which focuses on expanding coverage to the non-affording rather than subsidising the affluent," agreed Vishal Bali, Asia head, healthcare, TPG Growth.

India, with 21% of the global burden of disease but only 6% of hospital bed capacity, has lagged behind Asian neighbours Thailand, Indonesia, China on UHC, Bali added, calling for a dramatic and innovative healthcare reform process in the country.

Source

General Insurance

Insurance firms eye telecom operators to sell products - The Hindu Business Line

General insurance companies have set their sights on the wide distribution network and huge subscriber base of telecom operators to sell their products.

TRAI
Insurers have written to the Department of Financial Services to allow them to approach the Telecom Regulatory Authority of India. “We will able to use the wide distribution network of telecom companies to sell basic insurance products, such as health and personal accident covers,” said Tapan Singhel, MD and CEO of Bajaj Allianz General Insurance.

According to the Ericsson Mobility Report 2014, mobile phone penetration in the country during the first quarter of 2014 was at around 63 per cent or 790 million mobile subscribers. According to Singhel, if the distribution of insurance products is allowed through telecom operators, then they can sell the products and facilitate premium payments through mobile phones. Insurers cite the example of Bharti Airtel which entered into an arrangement with South African insurer Sanlam Insurance in 2012 for the distribution of insurance and health funding products in Africa.

Semi-urban, rural areas
By tapping into the telecom operators’ wide network and subscriber base, insurers can reach out to semi-urban and rural areas to improve insurance penetration for micro-insurance products. According to data from the General Insurance Council, the insurance penetration of general insurance, expressed as a percentage of gross domestic product, is estimated at 0.73 in 2012-13.

Source

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General insurance companies want tax sops to boost health cover for SMEs – The Economic Times

The Rs 70,000-crore general insurance industry has demanded tax exemption in the forthcoming Budget to give boost to corporate health plans of SME employees and retail catastrophe cover. "The industry also wants some kind of benefits for personal line insurance too, which includes personal accident cover and householder's insurance," R Chandrasekhran, the secretary general of the General Insurance Council, which is the official representative body of the general insurance industry, told PTI here. A top delegation led by the GCI had met financial services secretary GS Sandhu in Delhi recently to discuss a range of industry issues with in the run-up to the Budget that will be presented early next month, he added. The GI Council explained to the ministry that at present there are some tax exemptions available to the retail health insurance customers separately. If they take cover for themselves and for their parents, still it is not sufficient as medical inflation has shot up.

The non-life insurers have raised a demand for raising the limit of income tax rebate under section 80D for providing health cover. Currently, there is a ceiling of Rs 15,000 per annum. "We have urged that this limit must be increased to Rs 50,000, considering the need for an increase for health cover for common citizen and their families," Chandrasekhran said. The idea is to increase the penetration of non-life insurance," he said, adding that the share of non-life insurance to the GDP is a mere 0.80 per cent now. The council has also proposed to provide tax exemption to the buyers of 'catastrophe cover' as it will encourage people to buy such covers where insurance industry can bear the losses in case of catastrophe.

Right now government is almost paying from tax payers' money for any losses out of natural disasters as people are not accustomed to buy such cover. "Almost 85 per cent of the catastrophic losses in the country are uninsured. If through tax exemptions such covers can be encouraged, it will reduce the burden on the public coffers and help develop the general insurance industry. "We have suggested a minimum amount of catastrophe cover be made mandatory and the same should be eligible for tax exemption," Chandrasekhran said.

Source

Centre to announce new farm insurance scheme in 6 months - The Economic Times

The Centre would announce a new agriculture insurance scheme in about six months after taking inputs from state governments and farmers organisations, Union Agriculture Minister Radha Mohan Singh said today. "Farmers are not getting proper benefit from the present 'Krishi Bima Yojana' (agriculture insurance scheme). We have sent letters to all Chief Ministers, seeking their advice so that farmers get maximum benefit from the scheme.

"We will hold a meeting of Agriculture Ministers. We will take inputs from Chief Ministers, State Agriculture Ministers and farmer outfits and announce a new 'Krishi Bima Yojana' in about six months for the benefit of farmers," he said, addressing a meeting at the BJP office here. Talking to reporters later, Singh said recommendations made by a commission on the Minimum Support Price (MSP) for various farm produce are being currently considered by the Finance Ministry.

"There is a commission which made recommendations. It has gone to Finance Ministry. An opinion would come from there. It goes to different Ministries. Then it will go to Cabinet. Once Cabinet approves it, you will be given details," he said in response to a query. On the government's decision to hike import duty on sugar, the Minister said the current price of the sweetener is low.

Speaking in the meeting earlier, Singh said one of the major priorities of the NDA Government is to provide soil health cards to every farmer so that they are aware of nutrient contents in soil and use fertilisers accordingly. Under the 'Pradhan Mantri Gram Sinchayi Yojana', the government would strive to provide water to every farm land, Singh added. "It is the dream of Prime Minister Narendra Modi to provide water to every farm."

Source

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'Tax incentives for non-life products will boost penetration' - Business Standard

The non-life insurance sector will see higher penetration among customers if tax incentives are offered, according to R Chandrasekaran, secretary-general, General Insurance Council. Speaking at the Insure India Summit organised by Fintelekt, Chandrasekaran said the sector has sought tax incentives for health insurance under Section 80 D from the government. He added that personal lines such as home insurance should have tax benefits to push sales.

The sector has also sought a mandatory natural catastrophe cover that can be taken to cover such perils in calamity-prone areas. “This will ensure that incidents related to death, injury and damage to contents/property can be adequately covered,” he said. On the issue of different rates and procedures, a cause of concern in health insurance, Chandrasekaran said having a health regulator would reduce malpractices. The sector has also taken baby steps to have standardised processes and rate structures in hospitals.

The General Insurance Council has also suggested having a public liability cover mandatorily for public places. Chandrasekaran said this would mean owners/operators/organisers of places such as stadiums, museums, theatres, large religious gatherings apart from airports and railway stations would be compulsorily required to take a public liability policy to cover possible risks. These policies could cover the risks of loss of life and property due to accidents and other man-made incidents.

Source

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Insurers pitch for long-term motor policies to stem non-renewals - The Hindu Business Line

The general insurance council has designed motor insurance policies with three-five year tenures which can be used to help tackle the problem of non-renewal of policies and a large number of vehicles remaining uninsured.

R Chandrasekaran, Secretary-General, General Insurance Council, said the option to buy these policies will be voluntary and will save customers the hassle of renewing policies annually. Chandrasekaran was speaking at the Insure India annual Fintelekt summit. The council is working on the pricing mechanism for such policies, as the premium for third party insurance is fixed by the Insurance Regulatory and Development Authority.

According to Chandrasekaran, discounts on premiums are unlikely to be offered on longer term policies, but the claim payouts may be higher. Chandrasekaran said the council has sent a proposal to the Ministry for Road Transport and Highways to consider amending the Motor Vehicles Act. He said general insurers have sought a

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cap on the liability of the third party motor insurance claims, a limit on timeframe to file claim, and a limit on the jurisdiction to file claims in case of an accident. General insurers have suggested a model of third party liability insurance cover with fixed limits similar to the pre-determined liability limits in air and train accidents.

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Two-wheeler policy to protect insurers from non-renewal in the works - The Financial Express

In a bid to tackle the issue of large number of non-renewal of motor insurance policies, the Central government is working with regulator IRDA and the insurance companies to introduce a two-wheeler insurance policy where a bike owner would have to pay premiums for three to five years at one go. Currently, bike owners buy insurance covers for a year, and if it's not renewed at the end of the year, it lapses.

"We are working on introducing a policy for 3 to 5 years for covering the two-wheelers to protect the insurers to some extent from the non-renewal of policies over a large segment of the population. This is an industry level process," National Insurance Company chairman cum managing director AV Girija Kumar told reporters on the sidelines of an interactive session organised by MCC Chamber of Commerce and Industry. According to Girija Kumar, the country's general insurance companies suffer when in the two-wheeler segment renewal does not happen most of time after buying covers for one year.

Source

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General insurers propose compulsory motor insurance with voluntary liability limit hike - Business Standard

The compulsory third party (tp) motor cover will only have a limited liability, with an option to have covers for additional liability limits, if a proposal by general insurers is considered. Non-life insurers, led by the General Insurance Council have sent a proposal to the ministry for road transport and highways led by Nitin Gadkari to consider a model of TP covers with fixed limits similar to the pre-determined liability limits in air and train accidents. Over and above this limit, if owners dealing in high-risk transport like fleet owners and truck drivers require a higher cover, they would offered an option to buy an additional cover. This model called Compulsory Auto Liability Insurance and Voluntary Auto Liability Insurance, will be implemented if the Motor Vehicles Act is amended.

Presently, there is no limit on the liability of vehicle owners under this Act. Due to this, non-life players said that there has been in the claim awards by the courts every year. R Chandrasekaran, secretary general of General Insurance Council said that they have sought limit on time-frame to file claim and limit jurisdiction to file claims in case of an accident, from the minister. The ministry is yet to take a final call on this issue.

General insurance companies incurred total claims of Rs 17,589.4 crore in the motor segment in 2012-13, according to data released by the Insurance Information Bureau of India (IIB). The total premium from the segment stood at Rs 28,460.3 crore. Of the total claims, private cars accounted for Rs 7,506.2 crore, while the share of goods carrying vehicles was Rs 5,626.6 crore. The total number of claims stood at a staggering 6.4 million, while the total policies stood at 63.6 million. TP claims stood at Rs 9,177.3 crore, whereas 'own damage' claims were at Rs 8,412.1 crore. Insurance Regulatory and Development Authority (Irda) had asked non-life players to increase mandatory provisioning from 110% to 210%, to safeguard against the risks in the declined risk pool.

Irda has also been increasing motor TP premiums every year, to compensate for high claims in this segment. The commercial vehicle segment has been a constant cause of concern in the motor segment, due to which insurers have sought steep hikes (atleast 55-65%) in overall TP premiums. Even two years after the third-party motor pool for commercial vehicles was done away with, the woes of general insurers are far from over. Combined ratios for the motor insurance segment stand at 140-150% at present for the industry, owing to losses in the third-party motor segment.

According to industry estimates, there is a 15-20% increase in the payouts made by insurance companies to individuals for motor third party-related accidents. While the own damage motor segment that covers losses to self during accidents is de-tariffed, motor TP pricing is still regulated by Irda and revised on an annual basis. Motor TP covers liability to a third party caused by a vehicle owner during an accident. For 2014-15 financial year, Irda has hiked premiums in the range of 9-20% for different categories of vehicles.

Source

Survey & Reports

55 pct Indian risk managers consider cyber risk as their top concern: Study - The Financial Express

According to a survey conducted by Marsh India, the majority of risk and insurance professionals in India are unaware of whether or not their organisation has been a victim of cyber attacks in the past three years. Although, they consider such attacks to be a top concern.

A survey of more than 150 risk and insurance professionals from a wide range of industries, conducted at Marsh's inaugural Digital Threats Conference in Mumbai, found that risk managers are concerned about the perceived threat of cyber attacks on their organisations, with 55% naming the risk as a "top concern" for their organisation, with 44% indicating concerns have increased significantly over the past 12 months.

Asked to identify the top worry stemming from a cyber attack or data breach, 43% said that reputation damage was their main concern, followed by financial loss (30%), lawsuits (16%), and regulatory action or loss of license (9%). However, despite cyber risk concerns within organisations, only 21% of companies indicated they currently purchase stand-alone cyber liability insurance. The low take-up rate of this insurance could be related to lack of awareness, with 55% indicating they are not familiar with cyber insurance.

According to Sanjay Kedia, CEO, Marsh India, these results demonstrate a concerning low level of understanding within the Indian risk and insurance professional community, which is exactly why Marsh hosted this digital threats event.

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75 per cent of insurance sales to be online by 2020: BCG-Google report - The Economic Times

As many as three-fourths of insurance policies sold by 2020 will be influenced by digital channels, says a report by global management consulting firm Boston Consulting Group and Google India.

"We estimate that digital adoption could result in potential savings of 15-20 per cent of total costs in the case of life insurance and 20-30 per cent in the case of non-life, thereby showing the path towards profitability for the industry," said Alpesh Shah, BCG India senior partner and director who authored the report. "While online purchases represent a small component of insurance activity in the country today, the overall influence of the Internet on insurance product purchase is already six times and growing rapidly," Google India director for BFSIs Vikas Agnihotri said.

As insurers seek new avenues to grow profitably, they have a unique opportunity to embrace and benefit from the digital wave, which also addresses many key issues that plague the offline world today, Agnihotri added. Not only will insurance sales from online channels grow 20 per cent from today by 2020, but overall Internet influenced sales would be Rs 3-4 trillion (Rs 3-4 lakh crore), as per the report.

The online population forms a brand new market that cuts across borders, it added. Our studies have shown that two out of every third user researching for a financial product ended up changing their mind about the brand or the product during their pre-purchase period, Agnihotri added.

The inefficiency of digital assets has led to emergence of online insurance aggregators that have seen four times growth in the value of life insurance premiums and a seven times growth in the value of health insurance. Motor insurance sales that were relatively small in 2011-12 have also gone up four times within the last year itself.

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India is 15th in world in premium volume: Swiss Re sigma study - Business Standard

Global re-insurer Swiss Re's sigma study on world insurance in 2013 said India stood at 15th position in the world in terms of premium. In 2012, it was at 14th position. The study showed insurance penetration in India fell to 3.9 per cent in 2013 compared to four per cent in 2012.India's life insurance penetration was 3.1 per cent, while in non-life insurance it was 0.8 per cent. Insurance density stood at $52 (about Rs 3,120) compared to $53 (about Rs 3,180) in 2012. In the world average too, both insurance penetration and density saw a fall.

Globally, premiums written in the global insurance industry grew by 1.4 per cent in real terms to $4,641 billion in 2013 after a 2.5 per cent increase in 2012, said its latest sigma study. Insurance penetration refers to premiums as a percentage of GDP, whereas insurance density (measured in $) refers to per capita premium or premium per person.

The slowdown was primarily due to weakness in the life sector in advanced markets. Global life premiums were up only 0.7 per cent in 2013, with weak sales in North America and the advanced Asian markets offsetting a strong performance in Western Europe, Oceania and most emerging markets. Non-life premiums grew by 2.3 per cent, also less than the previous year, as growth slowed in the advanced and emerging markets.

Overall profitability in the life and non-life sectors improved, despite the impact of still low interest rates on investment returns. India saw a 0.5 per cent growth in life premiums for the period, whereas non-life premiums saw a 4.1 per cent growth. Total premiums for India stood at $66 billion (Rs 3.9 lakh crore approximately), up by 1.2 per cent. World premiums were up by 1.4 per cent at $4641 billion (Rs 278.46 trillion approximately).

Premium growth in the advanced Asian markets was flat relative to the previous year, further offsetting the sector's strong performance in other regions. At global level, life premiums grew by just 0.7 per cent in 2013 to $2,608 billion -- down from 2.3 per cent growth in 2012. Premiums in the US contracted sharply by 7.7 per cent due to the non-recurrence of large corporate deals which had boosted group annuity business in 2012.

The study said life premium growth was expected to resume in the advanced and improve in the emerging markets. The firming economy and labour markets in the advanced markets will support the life and non-life sector, and growth in the emerging markets should hold up also. “In the life sector, China and India in particular should see a return to higher growth rates,” said the Swiss re sigma study. Overall profitability has improved in the life and non-life sectors. However, the study said investment returns, an important component of insurers' earnings, remain low given the very low level of interest rates since the 2008 financial crisis.

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IRDA Circulars

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Updated list of Non-Life Insurers is available on IRDA website.

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Updated list of life insurers is available on IRDA website.