



Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

17th - 23rd June 2016

• Quote for the Week •

"If you don't stick to your values when they are being tested, they are not values: they are hobbies."

Jon Stewart, Comedian

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Insurance Industry

E-insurance mandatory for Rs 10,000 or above annual premium in life insurance: Irdai - 22nd June 2016

Electronic insurance will become mandatory for annual premium equal to or above Rs 10,000 (single/annual premium) in life insurance policies. Insurance Regulatory and Development Authority of India (Irdai) in its Issuance of e-Insurance Policies Regulations, 2016, said these norms would come into force from October 1.

Here, electronic insurance policy will mean a policy document which is an evidence of insurance contract issued by an insurer and digitally signed. Customers would have an e-insurance account, which will be an electronic account opened by a person with an insurance repository where the portfolios of insurance policies of a policyholder are held in an electronic form.

Irdai has asked every insurer soliciting insurance business through electronic mode to create an e-proposal form similar to the physical proposal form approved by Irdai. Such a form should enable capture of information in electronic form that would enable easy processing and servicing. The e-proposal form will also have a provision to capture the electronic Insurance Account (eIA) number.

The regulator said that electronic insurance policies can be issued by the insurers either directly to the policyholders or through the registered insurance repositories.

All policies issued in electronic form by the insurer directly to the policyholder will also be issued in physical form.

But, physical version of the electronic insurance policies need not be issued when electronic insurance policies are issued through the platform of registered insurance repositories.

For general insurance, for all retail policies (except motor) and individual personal accident and domestic travel with annual premium above Rs 5,000, the policy will have to be issued in electronic format. For motor, retail and individual foreign travel insurance, all policies will be issued in electronic format. Micro-insurance policies are exempt from these norms.

Source

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Insurance e-commerce norms take shape - Mint - 21st June 2016

The world is moving online and so should the way you buy the most important instrument in your money box: insurance. To help build an online platform for insurance, the Insurance Regulatory and Development Authority of India (Irdai), earlier this month, drafted the Insurance E-commerce Regulations. With the digital platform, and by promoting e-commerce, Irdai hopes to lower the cost of transacting insurance business and bring higher efficiencies and greater reach.

The draft, which was available for public comments till 20 June, lays out guidelines for a self-network platform to sell and service policies online.

According to the draft, any entity that wants to offer policies online will do so through a self-network platform—this can be your regular website or a mobile app or both. "You will still continue to be able to buy

policies through a regular website, but what will change is that not just web aggregators but agents and brokers will also be able to sell policies online. Secondly, these intermediaries will now have to fulfil end-to-end customer requirements and have to build linkages with the insurer not just for sales purposes but also for policy service requests so that they own the customer and service them on an on-going basis,” said Sanjay Tripathy, senior executive vice president-head, marketing, analytics, digital and e-commerce.

Insurers, brokers, agents, intermediaries or any other entity recognised by Irdai can sell policies through this platform. Insurance intermediaries include distributors such as corporate agents, web aggregators and insurance marketing firms. In the case of agents, since they are tied to one insurer, the platform would be treated as that of an insurer and the insurer will be responsible for compliance.

“These guidelines recognise the online medium as a platform to sell insurance policies. They also clarify operational issues like using physical signatures in an online sale; the need for physical signatures has been done away with,” said K.S. Gopalakrishnan, managing director and chief executive officer, Aegon Life Insurance Co. Ltd.

Wet signatures or physical signatures will no longer be needed. “Instead, an electronic signature or digital signature or single factor authentication such as one-time password, PAN (Permanent Account Number) card and date of birth authentication may be used for underwriting and acceptance of risk for insurance business transacted on the insurance self-network platform,” said the circular.

Further, in terms of the know-your-customer (KYC) process, the draft states that this can be undertaken using facilities such as e-KYC offered by Unique Identification Authority of India using e-Aadhaar or e-PAN facility offered by the National Securities Depository Ltd.

But the draft makes an e-insurance account mandatory for online purchase of a policy. An e-insurance account lets you hold your policy in a digital form. Once the policy is issued online, the document will have to be credited to the e-insurance account of the policyholder immediately. Currently, e-insurance account is not mandatory for online purchase, so this step is likely to encourage customers to open demat insurance accounts.

“Through this, the entire process will be online, end to end. This will not only save cost for the insurer, but also make the processes more efficient, and offer quick turn-around time to policyholders,” said S.V. Ramanan, chief executive officer, CAMS Insurance Repository Services Ltd. “Today, the typical turnaround time for issuance is T+2 to T+7, T being the date of signing the application form. Online, this can be done in T+2 hours to T+4 hours,” he added.

How will it work?

An insurer or a licenced intermediary or any other entity recognised by the regulator can sell insurance policies through the online platform, according to the draft.

“The draft states that entities recognised by the regulator other than the intermediaries will be allowed to sell insurance policies. This means that e-commerce portals may also be allowed to sell insurance and earn a commission,” said Kapil Mehta, co-founder, SecureNow Insurance Broker Pvt. Ltd. All products that are approved by Irdai can be offered online and these products will have to be pre-fixed with the letter ‘i’ to distinguish them from regular products.

Even as these policies are sold online, the draft allows the insurer to build in commissions into these products as they may be sold through the intermediaries as well.

Further, the draft also allows insurers to offer differential pricing for the same product when sold online. “More clarity is needed with the pricing aspect. Intermediaries even when they sell policies online will still get paid a commission, so it’s not as if the products online will have differential pricing. Further, it should not make pre-fixing mandatory. This will create confusion as a product sold online with the pre-fix ‘i’ may not necessarily mean price difference or exclusivity. Insurers will also have to showcase two products on its website one with a pre-fix ‘i’, and the other without any tangible difference in some cases,” said Tripathy.

In terms of premium payment, cash transactions will not be permitted for online sales, and as far as disclosures and solicitations go, the insurer or intermediary will have to make sure that the website explains the product features and the type of consumer for whom it is intended. Exclusions and limitations also need to

be spelt out along with total premium and other charges and taxes that the consumer will have to pay. Where the exact amount can't be indicated, the website will have to indicate the basis for the calculation of the amount.

The website will also need to explain the free-look period and duration.

If an intermediary sells insurance policies of multiple insurers, the guidelines state that it will not make any promise or commitment to insurance companies regarding sales. Further, while displaying the product features of various insurers, the intermediary will not favour any one insurer. Customer reviews and seller ratings can be shown. "Ratings are not allowed for web aggregators but are allowed for e-commerce. This inconsistency should be removed," added Mehta.

In terms of policyholder protection, these websites will need to have a mechanism to address policyholder grievances and will have to put in place measures to safeguard the privacy of data maintained and to prevent manipulation of records and transactions.

"By doing away with physical signatures and allowing e-KYC, the process of buying an insurance policy is completely online. The draft recognises the online medium and has also put in place measures of data security, which, till now, were not effective," said Mehta.

The drawbacks

To begin with, some say making e-insurance mandatory will be detrimental. "Overall, the new norms are progressive. However, general insurance policies such as two-wheeler, health, or travel insurance don't require KYC today, and have quick issuance online. By mandating e-insurance, the whole process becomes tedious and thus a significant proportion of customers may prefer buying offline instead," said Yashish Dahiya, co-founder, Policybazaar.com.

The other concern that the draft guidelines don't clearly address is assigning responsibility of sale for e-commerce websites.

"What is not clear is who will be responsible for the sale of insurance through them. In the case of existing insurance intermediaries, the responsibilities are clearly laid out," said Mehta.

Cost-wise, too, the industry doesn't expect an immediate benefit. "An online product will cost less than an offline one if distribution costs are lower. If an insurer continues to pay normal commissions and incurs the same acquisition cost, price won't go down. One could argue that the acquisition cost online should be lower than that of the offline model, but it depends on the marketing strategy of the company. Regulation in itself won't necessarily result in lower premiums," said Gopalakrishnan.

However, some argue that cost efficiency may get built over time. "We have to pay huge marketing costs and technology platform development costs apart from regular overheads. But if insurance becomes a pull product and customers become more comfortable buying insurance online, we can save on the marketing costs in the long run, and in time pass on that savings to the customer," said Tripathy.

The insurance regulator has laid down the infrastructure for digital sale of insurance and that is definitely a step in the right direction. The draft guidelines, however, needs to be more watertight in terms of apportioning fiduciary responsibility for the customers.

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Life insurance industry is in for mergers - Financial Chronicle - 20th June 2016

Falling growth in new business premium and increasing competition from top bank-promoted life insurance companies would force several insurers to rework their business models or look at mergers to survive.

In the last few years, bank-promoted life insurers namely ICICI Prudential Life Insurance, SBI Life Insurance, HDFC Life Insurance, Max Life Insurance (Axis Bank is the distribution partner), Kotak Life insurance and PNB Metlife witnessed strong growth, while those dependant on agents witnessed a fall in growth. For instance, in 2015-16, Reliance Life (-25 per cent), Bajaj Allianz Life (-16 per cent), Birla Sunlife (-7 per cent), Exide Life (-15 per cent), Star Union Daiichi Life (-1 per cent), Aviva Life (-47), Future Generali (-7) and Aegon Religare Life (-34) witnessed negative growth.

J Hari Narayan, former chairman of Insurance Regulatory and Development Authority of India (Irdai), told FC, “The nature of insurance business is such that it demands bigger size (assets under management). The growth of life insurance industry is slowing down. Those insurers that are promoted by banks have an edge over other insurers in terms of distribution. Smaller companies will fold up or look at merging to achieve economy of scale. I think in the next 3-4 years, there is space for around 4-5 large players.”

“Promoters will ask themselves, how much money I have infused in the last several years and what will be my returns? If shares of HDFC Life does well after the merger, more insurers would look at the listing route,” added Narayan. Shashwat Sharma, partner, financial services at KPMG India, said, “A lot of players will reassess their market strategy in an evolving regulatory regime with new guidelines on distribution, management expenses and products emerging.”

“Several insurers will think about their long-term distribution and whether they will remain competitive with changing customer behaviour. Insurers are more focused towards traditional endowment plans, while people are looking at buying insurance for protection, health, disability and pension/annuity plans. I think 6-7 players would be able to do well in all the three segments and thus survive,” added Sharma.

The 16-year-old private life insurance industry has been passing through a tough phase since the 2008 financial crisis. In the past three years, DLF and ING exited the insurance business in India, while a couple of more is in the process of selling stakes. The decade 2001-10 was characterised by a period of high growth (CAGR of 31 percent in new business premium) and a flat growth (CAGR of around 2 per cent in new business premium between 2010-12). In FY16, the total insurance premium growth on a five-year CAGR basis stood at 6 per cent.

India’s insurable population is expected to be 750 million by 2020. According to recent research estimates, over the next five years, the total life insurance premium market is estimated to touch \$100 billion. Life insurance penetration in India stands at only 2.6% of GDP. This is considerably lower than Asian peers.

Last week, the boards HDFC Standard Life Insurance Company, Max Life Insurance Company and Max Financial Services in their respective meetings, had approved entering into a confidentiality, exclusivity and standstill agreement to evaluate a potential combination through a merger of Max Life and Max Financial Services into HDFC Life by way of a scheme of arrangement.

The proposed two-stage merger of private life insurer HDFC Life with Max Life and Max Financial Services will result in automatic listing of HDFC Life and create a merged entity with assets under management of over Rs 1 lakh crore. Analjit Singh, executive chairman of Max Life Insurance, said, “I think the main trigger was that we have been waiting for new opportunities in the life insurance space. Whilst we have supposedly the best performing agency model and also the most robust successful bank assurance model because of our extremely close working relationship with Axis Bank, Yes Bank, the question was how do we take then, how do we leap frog growth from here on.”

“So we said, for 16 years we have been in this sector, so we want to take the next leg-up in the sector, how do we do that? So, either you had an option of staying where you are or you try to acquire or consolidate with one or two smaller players, and I do not see the clarity amongst the smaller players about their own future. The other option was to go to the insurance company that sits above us which is HDFC Life, plus very importantly is the value system, the work style and philosophy starting with Mr Parekh and myself and our respective colleagues and companies, the homogeneity at that level is very, very strong,” added Singh.

Speaking to reporters at the conference announcing the merger, Deepak Parekh, chairman, HDFC, had said that the life insurance industry would see more consolidation. “An inherent consolidation is already being reflected in the market share of private players. The top 4 private insurers today constitute 65 per cent of the private insurance market, while the remaining 19 private insurers have a combined market share of 35 per cent,” he had said.

“We believe that consolidation in the private sector would enable the creation of large companies which can then drive economies of scale, thereby servicing customer interests better at constantly declining structures,” said Parekh.

Source

Consolidation era set to begin in insurance sector - Business Standard – 18th June 2016

A likely era of consolidation begins in the insurance sector with Friday's board approval for merger of Max Financial Services and Max Life with HDFC Life. The second such deal this month; earlier, it was announced that L&T General would merge into HDFC ERGO General Insurance (a Rs 551 crore deal).

The sector has 24 life insurance and 29 general insurance companies, including five standalone health insurers. Till now, not a single merger or acquisition has been completed. Some talks were conducted in the past for possible deals but weren't fruitful.

For instance, in March 2013, L&T, Kishore Biyani's Future Group and Generali Group had signed a non-binding term sheet for the merger of L&T General Insurance and Future Generali India Insurance. This was a first-of-a-kind proposed. L&T was to hold 51 per cent stake, Generali 26 per cent and Future 23 per cent. However, in April 2014, L&T General and Future Generali India said they were calling off the venture, due to 'inordinate delay' in finalising a transaction.

To reach the next phase of growth, apart from mergers and acquisitions, listing on the stock exchanges would be the next logical step. Sector officials said the regulator feels those completing 10 years should do so. However, only HDFC Life and ICICI Prudential Life have announced an intent to list.

Joydeep K Roy, partner at PwC India, said while the Indian insurance market has been through several cycles in a relatively short time, the expenses are still to reduce to international levels and scale is not increasing exponentially any more.

"Logically, one will see consolidation, which can come out of desire to have larger scale and ability to address different clientele, and better synergy in expenses, leading to higher value for customer and shareholder," he added.

In April, Housing Development Finance Corporation (HDFC) said it would sell up to 10 per cent stake in HDFC Standard Life, through an Offer for Sale. The latter is a joint venture (JV) between HDFC and Standard Life Plc, a provider of financial services in the UK. Standard Life (Mauritius Holdings) Ltd holds 35 per cent stake in the JV. Earlier, HDFC had sold a nine per cent stake in HDFC Life to Standard Life, for Rs 1,705 crore, valuing the firm at Rs 18,951 crore.

On the proposed merger of the Max entities with HDFC Life, Roy said this could open the way for more. The first private life insurance company to be granted a licence, HDFC Life was launched in 2000. It was also the first insurer to clearly state it was planning an Initial Public Offer (IPO) of equity, though the company was waiting for market conditions to improve and also for foreign direct investment (FDI) norms to be eased. This was enabled in February 2015, when the law was changed to allowed FDI up to 49 per cent, from 26 per cent.

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IRDAI Regulation

India: Proposed IPO rules for insurers unveiled – Asia Insurance Review

Promoters of insurance companies which go public will have to maintain their minimum shareholding at 50% of the paid-up capital, even after the listing, under guidelines proposed by the insurance regulator. However, if the present holding of the promoters is below 50%, such would be the minimum holding.

IRDAI in an exposure draft released this week also says that the minimum shareholding requirement is to apply to insurance intermediaries which draw more than 50% of their revenue from insurance activities. They include brokers, corporate agents, surveyors and third-party administrators.

Furthermore, ownership limits for all shareholders other than promoters or the promoter group, differ between shareholders which are natural persons (individuals) and legal persons (entities/institutions).

For individuals and non-financial entities, the cap has been fixed at 10% of the company's paid-up capital. Entities in the financial sector can hold a stake of up to 15% in a listed insurance company. "In the case of regulated, well diversified, listed entities from the financial sector or public-sector undertaking or government, a uniform limit up to 50% of the paid-up capital is permitted," IRDAI said in its exposure draft.

For foreign companies, the existing limits which cap foreign direct investment at 49% will continue. The limit will apply not just to direct investments but also indirect holdings which are made through Indian promoters. The promoters will have to ensure that the insurance company complies with "Indian owned and controlled norms", IRDAI said.

The draft also says that any share acquisition which is likely to take the aggregate holding of "such person together with shares held by him, his relatives, associate enterprises and persons acting in concert with him" to 5% or more of the paid-up equity share capital of the insurer will need the prior approval of IRDAI.

In his Budget speech last February, Finance Minister Arun Jaitley had proposed listing the four state-owned general insurance companies, namely, New India Assurance, National Insurance, Oriental Insurance and United India Insurance. In the private sector, HDFC Life and ICICI Pru have announced plans to launch IPOs. Currently, no Indian insurance company is listed.

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Life Insurance

First-year life premium collection up 27% in May - Financial Chronicle – 22nd June 2016

The first-year premium collected by life insurers in May rose by 26.6 per cent to Rs 10,610.10 crore, against Rs 8,382.67 crore collected in the same month last year.

State-run Life Insurance Corporation of India (LIC) saw 27 per cent increase in the collection of new premiums at Rs 7,361.75 crore. Private insurers witnessed an increase of 25.8 per cent in new premium collection at Rs 3,248.35 crore, as per the data from insurance regulator Irda.

There was growth in the value of premiums of individual single and non-single, and group single and non-single premiums, but the number of policies under individual single premiums registered a dip against May 2015.

Among the top private sector performers, SBI Life, HDFC Standard Life, Exide Life and Kotak Mahindra Old Mutual Life showed healthy rise in their new business premium. SBI Life's new collection was up 156 per cent, HDFC Standard Life grew by 38.3 per cent, Exide Life by 256 per cent and Kotak Mahindra Old Mutual Life witnessed a growth of 41.4 per cent.

Among others, Birla Sun Life grew 13.6 per cent, Max Life 31.7 per cent, Canara HSBC OBC Life 87.88 per cent and IDBI Federal Life 63.5 per cent.

Private insurers have been aggressively expanding their distribution channels and also exploring bancassurance. "As Bank of Baroda and Andhra Bank are investors in the company, we are heavily dependent on bancassurance channel for distribution. As these banks have over five crore customers, the company still has scope to explore the bancassurance channel. Banks have all types of customers and we have an opportunity to cater to different segments," said R M Vishakha, managing director and CEO of India First Life Insurance.

They have also been launching new products to have a good mix of traditional plans and unit-linked plans in their portfolio. "We want to have a balanced portfolio in the medium- to long-term. A balanced portfolio may have 50-60 per cent of traditional products — both participating and non-participating, 20-30 per cent of ULIPs and 10 per cent online products," Vighnesh Shahane, whole-time director and CEO of IDBI Federal Life Insurance.

Those registering a fall in collection during the period include ICICI Prudential Life, down by 25.5 per cent; Reliance Life, down by 50 per cent; Bajaj Allianz, down by 17.4 per cent; Future Generali, down by 11.2 per cent; and Star Union Dai-Ichi Life, down by 70.6 per cent.

Among others, Sahara Life collected a premium of Rs 1 crore, against Rs 1.16 crore in the year-ago period. In April-May of the current fiscal, the new premium collection of all life insurers stood at Rs 18,582.64 crore, from Rs 13,650.96 crore a year ago. In April, they had grown their new premiums by 51 per cent.

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General Insurance

Public sector general insurers to debut on bourses this fiscal - The Hindu Business Line – 23rd June 2016

The government is finalizing plans to list all four public sector general insurance companies on the bourses this fiscal. "The listing of all state-run general insurers will happen one by one this year," said Economic Affairs Secretary Shaktikanta Das, adding that the modalities have been finalised by the Department of Financial Services and the insurers.

While Das declined to comment on the exact proposals, sources said that 10 per cent of the government equity in each of the public sector general insurers would be divested. "The proposals are almost ready. They have to receive Cabinet approval and based on market conditions will be listed one by one," said a person familiar with the development. The move follows Finance Minister Arun Jaitley's announcement in the Union Budget 2016-17.

Apart from the Agriculture Insurance Company of India, there are four state-owned general insurers — New India Assurance Company, National Insurance Company, The Oriental Insurance Company and United India Insurance.

Sources indicated that New India Assurance may be the first to hit the street. The revenue raised through the listing would be used for business expansion where required, while the balance would be credited to exchequer.

Source

India: State-owned general insurers to be listed one by one – Asia Insurance Review

The process of listing of four public sector general insurance companies will be carried out one by one and a "lot of action" is expected in this arena shortly, a top official has said.

"Modalities are being worked out and I think we should see lots of action on that front in the next few months," Economic Affairs Secretary Shaktikanta Das said. He was speaking at a business summit, according to the Press Trust of India.

In the Budget presented last February, the government announced that the four public-sector general insurance companies would be listed. They are New India Assurance Company, National Insurance Company, Oriental Insurance Company, United India Insurance Company.

Several private-sector insurers are also considering obtaining a listing, either directly or indirectly.

Source

Ahead of insurance IPO exercises, IRDAI last week released draft guidelines for listed insurance companies. As of now, no insurer is listed in India.

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Survey & Report

Rising incomes, but static insurance: survey – Mint – 22nd June 2016

India is an underinsured country; there isn't enough financial knowledge about insurance. And of those who have insurance, many use it as a means to save tax or as an investment.

"The fact that India is underinsured is hardly news anymore. As the case for market entry, every study on life insurance cites a sub-5% penetration (with our 1.2 billion strong market) versus almost twice that what is seen in most developed markets," said Manish Shah, co-founder and chief executive officer, BigDecisions.com.

The life insurance industry has shown a rather tepid growth over the past few years (in terms of new business premiums underwritten) and steadily dwindling renewals on savings products that are guised as insurance. A recent study conducted by BigDecisions.com reveals that the low levels of risk coverage—which has largely remained unaddressed—is a bigger problem.

Data from across 80,000 users who have used the portal's life insurance calculator, showed that 80% of them have little or no coverage when compared when what they really need (See table). "This in itself is a big opportunity to increase real risk cover and meaningfully insure the vast number of middle-income and mass affluent Indians who have already been sold a policy," said Shah. For the survey users gave information about their income, assets and liabilities, using which their insurance needs were calculated.

The data also shows that higher earners, who can afford the premiums, are less adequately covered. A previous survey conducted in 2014, that across 3,000 of the portal's users, levels of underinsurance continued to rise with income rather than coming down.

A large reason for this seems to be that people either work with rules of thumb such as a multiple of income in a given year which then stays flat, while incomes go up, or even worse, do not make any allowance for higher expenses as income goes up.

"In a quick survey we did a year ago, we found that people were more concerned about life insurance as a 'yes or no' question to be answered, meaning, it was important that they had a product (or three) that they had bought. Whether it served its original purpose (of life cover rather than tax savings) seemed less relevant and therefore, the likelihood of them having life insurance was high but chances of them being underinsured were higher still," explained Shah.

Source

Essentially, life cover tends to stay frozen at a given level, while incomes and expenses keep climbing.

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IRDAI Circular

Source

First Year Premium of Life Insurers for the Period ended ended 31st May 2016 is available on IRDAI website.

Global News

Sri Lanka: Low retention helps insurers cope with flood losses – Asia Insurance Review

Insurance claims arising from recent flooding in Sri Lanka are likely to be manageable for most local insurers due to low retention levels, but changing weather patterns raise long-term risks, says Fitch Ratings. The agency expects the sector's underwriting profitability to weaken this year, although this is unlikely to threaten most insurers' credit profiles.

A severe tropical storm in mid-May caused flooding and landslides in several parts of the country, with areas along the Kelani River in the western province, north-east of the capital, Colombo, among the worst affected. National Insurance Trust Fund (NITF), the state-owned local reinsurer, estimates claims from the disaster of around LKR15.5 billion (US\$107 million).

Fitch expects record-high claims to worsen the combined ratio of non-life insurers in 2016, with higher reinsurance premiums raising future expense ratios. In addition, lower profitability, stemming from higher claims, could affect capitalisation of some lower-capitalised insurers.

Fitch says the credit profiles of rated entities, Sri Lanka Insurance Corporation Limited (AA(lka)/Stable), HNB General Insurance Limited (A(lka)/Stable) and Continental Insurance Lanka Limited (A-(lka)/Stable), are likely to remain intact despite these challenges.

Sri Lankan non-life insurers have low retention in the non-motor segment, with more than two thirds of the fire class, which typically covers flood-related policies, being reinsured. Fire class accounted for just 5% of total non-life net written premium in 2015. Local regulations require insurers to cede 30% of their reinsurance to NITF, with the balance reinsured with the global reinsurance market. Natural catastrophe losses, such as floods, are covered under reinsurance treaties and excess-of-loss reinsurance covers.

Fitch says the floods are likely to raise awareness and increase demand for non-life insurance. Sri Lanka's uninsured population is high, with non-life penetration at around 0.6% of GDP. The non-life insurance market is dominated by motor insurance (65% of gross written premiums in 2015). Motor is covered under excess-of-loss reinsurance covers in the event of natural catastrophe.

In early April 2016, the government obtained its first natural disaster cover from NITF, insuring itself against LKR10 billion, with the first claim coming just six weeks later from the May floods.

The Government of Sri Lanka Disaster Management Centre says the May floods, reportedly the worst in 25 years, affected over 300,000 people, leaving 203 dead or missing and over 5,000 houses damaged. Production and storage facilities of several large companies were damaged and business has been interrupted. According to NITF, a handful of large commercial claims are expected to account for over half of total claims.

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New Zealand: Insurers working out response to driverless cars – Asia Insurance Review

New Zealand's insurance industry is grappling with how to deal with the advent of driverless cars, the use of which is expected to slash insurance premium volumes as accident rates are expected to decline. Mr Tim Grafton, chief executive of the Insurance Council of New Zealand, said it was something that New Zealand insurance companies were thinking about. "This isn't going to happen overnight, but if you look ahead 15 or 20 years, it will be a significant change for the insurance industry."

Motor insurance currently make up 42% of all non-life gross premiums. Mr Peter Shaw, Chief Executive at vehicle safety research firm Thatcham Research, said manufacturers were predicting highly autonomous vehicles, capable of allowing the driver to drop "out of the loop" for certain sections of their journey, would be available from around 2021, reported stuff.co.nz. "Without doubt, crash frequency will also dramatically reduce. We've already seen this with the adoption of Autonomous Emergency Braking (AEB) on many new cars.

"Research predicts that by 2035, as a result of autonomous and connected cars, crashes will be reduced by 80%. Additionally, if a crash unfortunately can't be avoided, then the impact speed will also drop as a result of the system's performance - reducing the severity of the crash," he said. If New Zealand got to the point where all cars were driverless, the accident rate would drop significantly and the cars would be insured based on manufacturer liability. That would be a different environment for insurers, said Mr Grafton.

Source

But they would still need to offer cover for theft, vandalism and break-in of vehicles. "That's not going to go away with driverless cars." Even with autonomous cars, he said there would probably be situations where drivers would still have the ability to take over, and then the responsibility for a crash would still rest with them as opposed to the manufacturer of the car.

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China: Regulator examines investment-linked insurance products – Asia Insurance Review

The insurance regulator is examining life insurance products that contain an investment element, such as participating life insurance policies and investment-linked policies, before announcing new supervisory measures for them. The move follows a crackdown launched in March by CIRC on universal life insurance products, reported the Shanghai Securities News.

In its scrutiny, the regulator will focus mainly on areas such as product filing, information disclosure, internal control, marketing behaviour, to strengthen its supervision, according to an well-informed source. CIRC could select a few insurance companies for a full inspection, to look out for mis-selling, customer misinformation and whether operations conform to regulations.

It is understood that among the problems presented by participating and investment-linked life insurance products is their relative complexity. This has resulted in inadequate information disclosure by some insurance companies to their customers, such as insufficient warning about the risks involved in the products. Universal life insurance products are said to be the typical short-term high cash-value product. In recent years, many Chinese insurers derived a large part of their premiums from such policies that are more like savings products than protection products.

In March, CIRC cracked down on the sale of such products by banning all policies that have a duration of one year and reducing the quota for policies that have a tenure of between one and three years. CIRC said that the rapid growth of short- and mid-term insurance products, from which proceeds were invested in long-term assets, had caused concern about risk created by a potential asset-liability mismatch and liquidity conditions.

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Australia: Survey reveals most homeowners aren't flood ready – Asia Insurance Review

One in five Australians with home and contents insurance admit they would be left out pocket if they lost their house and the overwhelming majority of people have no flood plan in place - despite extreme weather events occurring frequently along the country's east coast.

A new survey, released by ServiceSeeking.com.au reveals 68% of Australians don't have a flood disaster plan in place. And a further 35% of people would have nowhere to live if their house was flooded, reported The Sunshine Coast Daily citing the survey results.

The data was put together after more than 4,000 people were surveyed in the wake of the recent bout of stormy weather in which parts of Australia have been affected by flooding and severe rain. ServiceSeeking.com.au CEO Jeremy Levitt said that this past month's severe storms along the east coast should serve as a reminder for all households to prepare a disaster plan.

Twenty percent of people with home and contents insurance admit their contents insurance would not cover them in the event of a natural disaster completely destroying their home and all they owned. Mr Levitt said: "Many people think they're covered when they take out basic insurance, but they are often left financially distraught in the wake of a natural disaster. In peak storm season like we're experiencing now, it's a good idea to check your policy and upgrade if you think you're lacking."

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China: CIRC steps up action on unauthorised online insurance ops – Asia Insurance Review

CIRC has notified insurance companies in provinces throughout the country as well as local insurance associations to investigate unauthorised online insurance business.

The probe focuses on whether any organisation or individual has set up a fake online insurance company, insurance intermediary website or social media page; or unauthorised online insurance operations; or misrepresented itself or himself as an agent of an insurance company to collect funds from the public.

CIRC urged the insurance companies and local insurance associations to take action, such as instituting legal action or lodging reports with the police, if they came across such cases. There has been a proliferation of online sites touting insurance or wealth management products, several of which are unauthorised operations. In addition, several P2P lending platforms misrepresent that they are backed by credit insurance provided by insurance companies.

In April, CIRC warned consumers to be aware of non-insurance entities promoting insurance “mutuals” or “alliances” on online platforms. Such schemes involve a pool of members who pay a small premium to join the pool and are promised significant payout amounts if the event (eg. critical illness, accident etc) for which they subscribe to the pool happens to them. Marketing is carried out largely on social media such as WeChat. These pools are not supervised by the regulator.

Source

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