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- Weekly e-Newsletter

10th – 16th July 2015

• Quote for the Week •

"All that we are is the result of what we have thought. The mind is everything. What we think we become"

Gautama Buddha

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Insurance Industry

Govt to select top insurance honchos this week - The Indian Express – 14th July 2015

The government will conduct the selection process to identify suitable candidates for the top posts in the insurance sector this week. Even as Ministry of Finance (MoF) has clarified that there is no move to bifurcate the posts of CMDs in the public sector general insurance companies, eight senior officials have been called for the interview to fill up two posts of chairmen and managing directors (CMDs) in GIC Re and National Insurance Company (NIC).

While the post of CMD in GIC Re will fall vacant during the month end when AK Roy will retire ending his three-year tenure at the country's official reinsurer, the post of CMD at the NIC is being managed by the various acting CMDs since NSR Chandraprasad retired in February 2014. After a long delay, the government has finally decided to conduct interviews for filling up the vacant post of the fourth MD of Life Insurance Corporation (LIC) on July 15. The post has been lying vacant since Sushoban Sarkar retired in May last year and five senior LIC officials including the CEOs of LIC Home Finance and LIC Nomura are appearing for the interview.

Senior LIC officials who have been called for the interview include Sunita Sharma (chief executive, LIC Housing Finance), Saroj Dikhale (chief executive, LIC Nomura MF), Venu Gopal (zonal manager, West), Vinay Sah (marketing director), and Sharad Srivastava (executive director, Northeastern zone). The government couldn't go ahead with the interview earlier as some senior LIC officials, who were not called for interviews had written to the government finding fault with the criteria adopted for shortlisting the candidates for the interview. "We had received some representation from some LIC officials who were supposed to be shortlisted for the post of the fourth MD but were not included. We waited till now as we were expecting some clarity to complete the interview process. The interview will be conducted on July 15," said a finance ministry official.

However, two officials —Rajesh Kandwal (chief executive, LIC Bahrain) and Hemant Bhargava (zonal manager, East) — who had earlier represented before the government, have not been called for the interview. They were not included on the basis of a criteria which says that an official can appear for the interview for maximum three times consecutively. They had already appeared for the interview conducted for posts of three MDs in the past, but couldn't be selected. In their representation to the government, the two officials, who have four years of service left, had said capping of interview appearances at three times has no legal sanctity as per the DoPT norms.

The eight candidates appearing for interview for GIC Re and NIC CMD posts are — Sanath Kumar, director & general manger, New India Assurance, Girija Kumar, director & general manager, United India Insurance (UII), Vasantha Krishna, director & general manager, NIC, Alice Vaidyan, general manager, GIC Re, HG Rokre, a GIC Re official who is currently at IDBI Capital on deputation, Sujoy Banerji, general manager, Oriental Insurance Company(OIC), Segar Sampath Kumar, general manager (NIA) and VE Kaimal, general manager, UII.

Ministry officials said that unlike public sector banking industry, there is no proposal either to bifurcate the post of CMD in the public sector general insurance companies or to include candidates from the private sector companies for the CMD posts of PSU insurance companies.

Source

Govt mulls 100% FDI in insurance broking – The Times of India – 10th July 2015

The government is considering exempting insurance intermediaries, including brokers, from the foreign direct investment limit. Although caps on insurance intermediaries were not originally envisaged, the insurance regulator had at some point decided to apply the limits applicable to insurance firms to other companies across the sector.

The rethink comes at a time when the government has allowed reinsurance firms to set up 100%-owned units in the form of domestic branches. Several of the international brokers are keen to follow their clients in India but are not interested in a minority-stake company.

The complication that the FDI limit is creating on regulation is that foreign banks allowed to distribute insurance as brokers or corporate agents end up breaching the caps.

Berkshire Hathaway had set up a wholly owned company for distribution of motor insurance some years back but subsequently the Insurance Regulatory and Development Authority of India (IRDAI) decided that even corporate agents should be subject to the FDI limits. Now, the thinking is to go back to the original stance of allowing 100% ownership.

The other reason for considering 100% FDI for broking firms is that insurance broking is not a capital-intensive business and most of the work is advisory in nature. Even if the premium is sourced by a multinational broking firm, the policy is issued by a domestic insurance company and there is no loss of foreign exchange.

At present, most of the top international broking firms are present in India. These include Aon, Marsh, Howden and JLT. Willis, which had exited from a joint venture earlier, is re-entering the market through an equity stake in Almondz.

Source

Back

IRDAI Regulation

IRDA revamps representative body, excludes brokers - The Indian Express – 16th July 2015

The Insurance Regulatory and Development Authority of India (IRDAI) has revamped the General Insurance Council (GI Council), the official representative body of 29 general insurers, with the addition of five new members but excluded the broking community from the proposed self-regulatory organisation (SRO).

The Insurance (Amendment) 2015 Act provides for restructuring of existing official representatives bodies like GIC and Life Insurance Council to enable them to operate more like an SRO.

However, insurance brokers have protested the move as despite the fact that 20 per cent — around Rs 22,000 crore — of total industry's premium passes through brokers, none of their representatives have found a place in revamped GI Council.

Sohanlal Kadel, president, Indian Brokers Association of India, has claimed the brokers are real representative of insuring public and has taken up the issue of non-inclusion of brokers. "I have met the chairman of IRDAI on this matter and expressed our displeasure. I have also explained that the brokers are real representative of insuring public. IRDAI chairman explained that the nomination by the IRDAI to the GI Council is as per the Insurance Act (Amendments 2015) and IRDAI has no role in it. However, I have requested him to consider inclusion of IBAI in the General Council. Chairman has promised to look into this matter. We don't mind knocking at the door of Parliament to see our representative in IBAI," said Kadel.

New members of GI Council are — Girish Rao, representing Third Party Administr-ators, Sanjeeb Choudhury (policy holders), Adil Frenchman (intermediaries), Yogesh Gandhi (Surveyor & Loss Adjuster) and Indu Sawhney (person of eminence but not part of the insurance industry).

The members (Non-life and Life) of IRDAI who were earlier heading respective councils have already quit these bodies since December 2014 and have made way for one of the elected members — CEO of an insurance company — to lead the restructured councils.

Source

Irdai explores e-commerce in insurance - Business Standard – 14th July 2015

The Insurance Regulatory and Development and Authority of India (Irdai) is exploring ways to make insurance popular online via e-commerce. It has formed two groups — comprising life insurers and general insurers, respectively — to look into the opportunities in insurance e-commerce. According to Irdai, insurance e-commerce lower the costs and bring in higher efficiencies and ensure greater reach. This will also leverage the government's Digital India initiative, aimed at creating a digitally empowered society and knowledge economy.

The two groups will identify opportunities of e-commerce in the insurance sector, recommend technological solutions, suggest regulatory and other facilitation measures for growth, and synergise with Digital India initiatives of the government.

“Web aggregators are also being encouraged to add more products online. Discussions are on to find out how to make insurance a pull product on the internet,” said a life insurance official. At present, both insurers as well as web aggregators sell policies online. However, insiders say it’s term products, motor, travel and simple cashless policies that sell online.

In the life insurance group, the members are Sandeep Bakshi, chief executive officer (CEO) of ICICI Prudential Life; a representative of the Life Insurance Corporation of India; Pramod Khanna of Hero Corporate Services; and Jignesh Gandhi of NSDL Insurance Repositories. Gautam Kumar, deputy director at Irdai, will be the convenor of this group.

The members of the general insurance group are Tapen Singhel, CEO at Bajaj Allianz General Insurance; a New India Assurance representative; Tarun Samant, CEO of Tata Motors Insurance Brokers; and S V Ramanan, CEO, CAMS Insurance Repository. N M Behara, deputy director, Irdai, will be the convenor of this group.

The groups have to finalise the report containing its recommendations within four weeks and submit the same to the Irdai chairman. “The idea is not only to expand the product category, but also make the platform more attractive for prospective policyholders,” said the chief distribution officer of a private life insurance company. Currently, only about five per cent of the overall premiums come from the online channel.

Source

Back

Life Insurance

Life insurers total assets up 17% in FY15; new premium down - The Economic Times – 15th July 2015

Despite fall in the new premium during 2014-15, the total assets of the Indian life insurance industry went up by almost 17 per cent to Rs 23.44 lakh crore in the last financial year. The life insurance sector, consisting of 24 companies led by state-owned LIC, had seen its total new premium fall by 6 per cent to Rs 1,13,140 crore in 2014-15 from Rs 1,20,162 crore in 2013-14.

The total investment made by these firms in the previous fiscal stood at Rs 22.45 lakh crore. "There is a difference of merely Rs 1 lakh crore between the total assets and total investment of the industry which shows that the life insurers have invested 96 per cent of premium from customers in sound financial instruments," Life Insurance Council Secretary General V Manickam told PTI.

Providing a break-up of investments in 2014-15, he said "out of the total investment, 38 per cent went in central government securities, while 23 per cent was parked in state government securities. "Thus, investment in central and state government securities put together stood at 61 per cent, while 10 per cent went in infrastructure."

"The balance 29 per cent has been invested in bonds, equities, debentures and other financial instruments," he said, adding "the life insurers made a fresh investment of Rs 2.90 lakh crore in 2014-15." "Moreover, out of Rs 3.28 lakh crore of total premium income in FY15, life insurers have invested Rs 2.15 lakh crore from renewal premium in financial instruments against the investment of Rs 1.13 lakh crore from new business premium in FY15. This means the contribution of renewable premium is apparently much more than that of new business premium in the investment made by the life insurers in FY15," Manickam said.

"Out of Rs 22.45 lakh crore investments in 2014-15, Rs 3.6 lakh crore has been invested from Ulip products in the capital market instrument, slightly up from Rs 3.3 lakh crore invested in 2013-14. Similarly, Rs 18.85 lakh crore has been invested from non-Ulip products in 2014-15," he said.

Source

The number of branches of life insurance companies almost remained flat at 11,030 in FY15, indicating the insurers are not expanding their reach through this route. The number of agents has fallen by 6 per cent during 2014-15 to around 20,68,000. The life insurance industry employs 2.5 lakh people as of March-end.

Back

Life insurers taking 2 to 7 months to settle death claims - Financial Chronicle – 14th July 2015

Settlement of insurance claims, as industry veterans put it, is when the rubber hits the road. While individual death claims have been settled in less than a month by most firms in the life insurance industry, some companies have been taking a lot longer to settle.

If Irdai data is anything to go by, DHFL Pramerica took an average 207 days to settle such claims during April 2014 to March 2015. Shriram Life took an average 172 days. Edelweiss Tokio took 77 days. There are a few others as well who have taken average 50-60 days to settle death claims. Industry officials attribute the big delays in settling claims to factors like collection of information/documents for rural customers and making necessary checks to avoid fraudulent claim payments especially in case of early claims.

DHFL Pramerica Life Insurance spokesperson said: "The average claim settlement duration at DHFL Pramerica Life Insurance is 16 days. This is the time taken between receipts of complete documentation from the claimant to the settlement of the claim. Being a 6 year old company, early claims (claims on less than 2 year old policies) constitute 69 per cent of our total claims portfolio for FY15.

"A significant portion of this portfolio comprises customers from rural areas. Early claims require detailed investigation supported by submission of complete documents related to proof of death, nominee identification proof etc. This adds significantly to the time taken to settle the claim," the spokesperson added. Shriram Life Insurance, which began business in 2006, says that it largely caters to the entry level markets where collection of information/documents takes longer time than industry's average anticipated time.

"More than half the business sourced by the company every year is from rural and social sector. We are aware that claim payments are an important part of the insurance business. Having said that, we are committed to protect other policyholders since there are pockets of insurance fraud, which is known in the industry. It's imperative for us to eliminate any chances of fraudulent claim payment, especially in case of early claims (within 2 years from commencement)...we are confident the turnaround time for claim settlement will come down," the company said. As a whole private sector, took an average 30 days to settle death claims during April 2014 to March 2015. LIC took 26 days.

Edelweiss Tokio, which entered the insurance business in 2011, says that a lot of claims in encountered during this period had to be repudiated because they were not genuine.

Nilesh Parmar, chief operating officer, Edelweiss Tokio Life Insurance said: "Customer centricity is most important for Edelweiss Tokio Life Insurance, it is one of our core values and we strongly believe in swiftly settling genuine customer claims. Our non-early claims average 36 days and there are some cases where we have decided much faster (in one case as fast as 24 hrs). However, majority of the claims that we receive are early claims which do require further in-depth investigation to establish genuineness.

"Our underwriting practices do factor in all risk parameters, however for new companies, there are elements who try to fool the system and gain undue advantage. Most rejection reasons are related to health related non-disclosures and there is dependence on external agencies to establish evidence. We encourage our customers to upfront fill in correct data in the proposal form in order to ensure claims are settled quickly. Customer education, sales training, etc., are part of the efforts that we have taken to make claims as effortless as possible," he added.

Source

There are some life insurers who took less time than industry average like PNB MetLife (15 days), Star Union (19 days), ICICI Pru (20 days), SBI Life (22 days), HDFC Standard (25 days) to settle claims in this period.

Life insurers convey concerns over draft Ulip norms to Irdai - The Financial Express – 13th July 2015

Members of Life Insurance Council, an apex body of life insurers, and other representatives from the sector met regulator Irdai recently to discuss the draft Ulip norms. The draft guidelines issued by the Insurance Regulatory and Development Authority of India (Irdai) mandate at least 25% of unit-linked insurance plan (Ulip) funds to be invested in Central government securities. Life insurers will now send their final review of the draft norms by July 24 to the regulator.

V Manickam, secretary general, Life Insurance Council, said: "We had a meeting with member of finance and investments, Irdai, on July 10 and explained our concerns on the issue. We suggested that they should not implement these draft guidelines as Ulips are for risk-taking investors. Even now, the insurance sector invests around 16% of the total Ulip corpus in Central government securities."

According to the council, the total corpus of Ulips stands at R3.6 lakh crore out of which around R60,000 crore is into Central government securities. The insurers were represented at the meeting by chief financial officers and chief investment officers of six companies. Earlier in the month, Irdai released draft guidelines that mandated at least 25% of Ulip funds to be invested in Central government securities. However, industry players believe the move could lead to lower participation from retail investors.

There are several types of Ulips and different funds have different risk profiles. While some invest in equity, others go for a balanced approach, and still others invest only in debt products. Ulips are also eligible for tax benefits under Section 80C of Income-Tax Act.

"We have requested that if Irdai still wants to hike investments in Central government securities, they should do it for traditional plans as they are less risky," said Manickam.

According to the rules, 50% of the premium collected from traditional policies has to be invested in Central as well as state government securities. Industry participants are hopeful that the draft guidelines would be modified. "If this proposal is implemented, it will become very difficult to sell these policies. For many players, a large share of profit comes from Ulips. We hope that, in the next few weeks, there will be some clarity on the issue," said a top official from a leading life insurance company.

Source

Back

Life insurance premiums jump 24% in Apr-May - Financial Chronicle – 10th july 2015

The life insurance industry's total premium collection grew 24 per cent to Rs 13,651 crore in the first two months of the current fiscal, driven by group single premiums. LIC made a smart recovery with a 21 per cent growth in total premium mop-up at Rs 9,384 crore in the said period. The Corporation's business stood at Rs 7,757 crore in the year-ago period.

In the year-ago period, the industry's total business stood at Rs 10,984 crore, according to Life Insurance Council data released today. The volume of business in group single premium, which is transacted when a corporate house buys pension products by paying one-time premium, shot up 64 per cent to Rs 7,694 crore in April-May, from Rs 4,683 crore a year ago.

Market leader LIC has seen its business under this segment rising by 61 per cent in the first two months of the fiscal, the Council data showed. In the remaining segments, including individual single, individual non-single and group single, the industry has seen either a flat or a negative growth.

"Life insurers collected total premium of Rs 13,651 crore in April-May this year against Rs 10,984 crore a year ago. It includes Rs 7,694 crore under group premiums," Life Insurance Council secretary general V Manickam told PTI.

"Life insurers have increased their group insurance business as it involves fund management too. Also, the lapses are quite less in this segment," he said. The growth was overall led by 23 private sector players, which collectively logged a 32 per cent growth at Rs 4,267 crore, up from Rs 3,227 crore a year ago. In volume terms, the industry grew 15.26 per cent to 25,04,502 from 21,72,918 a year ago. LIC has grown its number of policies by 20 per cent to 19,71,713 in the reporting period from 16,36,831 a year ago.

Source

Life insurers rope in credit info firms to verify customers' details - Business Standard – 11th July 2015

Life insurers are taking help from credit information companies to ascertain details given by customers at the time of purchase of a policy. The details include identity and address details of customers, and going forward, insurers might look at their credit history to see whether they can pay renewal premiums on time.

Rajeev Kumar, chief financial officer at Bharti AXA Life Insurance, said several insurers are now using services of credit information companies to verify details disclosed by customers while buying a policy. Kalpana Pandey, chief executive officer (CEO) and managing director, Crif High Mark, said now increasingly insurance companies are taking the help of credit rating agencies.

“With the help of credit data, they can do a quick background check which helps in reducing the turnaround time and leads to more customer satisfaction. Apart from this, the rationale is also to check the propensity of the customer to pay back, which can end up improving the persistency ratio of the companies,” she said.

Persistency, which refers to the ability to keep renewing a customer's insurance policy till it reaches maturity, is measured from the 13th month onwards. The large life insurers have as high as 85-90 per cent persistency in this period, meaning that a large chunk of the policies are renewed, while the newer and smaller ones have lower persistency rates.

Besides, insurance companies are now also using it to avoid de-duplication. For instance, if a customer already has three life insurance policies, it is likely that he might default on one. Or on the other hand, if the customer already has a relationship with you, then the company can offer him a better premium.

“At this point, services of credit information companies are being taken to get information of credit history. It is also being used for validating know your customer (KYC) details. Now that the Insurance Act mandates that no claim can be refused after three years, the risk assessment process has to be far stronger and needs to be built at the acquisition stage itself with help from credit information companies,” said Girish Kulkarni, managing director and chief executive officer, Star Union Dai-ichi Life Insurance.

The Insurance Act has revised an earlier provision to now say that all claims have to be paid after three years, even if they are found to be fraudulent. This has sent insurers into a tizzy since there are several gangs which take out fake policies and then file claims. With the help of credit information companies, these cases can be minimised since their identity, credit history and payment details can be checked prior to issuance of policies.

Going forward, insurers said those with a very bad credit history could also have a chance of rejection of their request to get an insurance policy. Further, pricing could also differ for those with a bad credit history if it is permitted by the regulator. These companies also come to the aid of insurers at the time of claim settlement to ensure that the money efficiently reaches the customer, irrespective of the change in their location.

A J Bose, executive director–operations & IT, SBI Life Insurance, said, “We have been taking their services to get latest addresses and contact numbers of customers. When they change their address or contact information, not all of them inform the insurance companies. This data helps us at the time of claim payments,” he said, However, Mohan Jayaraman, managing director, Experian, says even though the data usage by insurance companies has increased, it is still not as widespread as it is in banks. The public sector is yet to warm up to this idea.

Source

Back

Life insurers train agents for social media use Business Standard – 11th July 2015

Life insurance companies are looking at how to enable agents to effectively use social media for product promotion. Amit Roy, chief distribution officer, Aegon Religare Life Insurance, said they were training agents in this regard, such as how to use Facebook, and asked them to share their experience.

“The exercise will have a ripple effect; it will also lead to better product branding. In their Facebook pages, they have innovative taglines for new products launched by the company, so that they can attract attention of their “friends” on the site,” he said.

Social media networks such as Facebook and Twitter are already being extensively used by insurance companies, life and non-life. The brand promotion here includes contests with prizes, beside quizzes to promote awareness.

Anisha Motwani, chief marketing and digital officer at Max Life Insurance, said they already had a list of Do's and Don'ts for social media in the business. She said there was a lot of potential in social media training for agents.

By tagging friends who can be prospective customers, Roy said they'd been able to have a more meaningful discussion, on social media. "We have been able to coach and motivate agents by making use of this medium in a better manner," he said. The sector could also use information from social media, said insurers, to assess customer habits and then provide a better product to suit the need. However, this is still nascent.

Source

"We are working on using social media to help agents engage better with regular and prospective customers. Using analytics, we can also ascertain at what lifestyle our customers are," said Motwani.

Back

Increasing risk appetite drives sales of ULIPs – The Financial Express – 9th July 2015

While the annualised premium of the life insurance industry contracted 9% in FY15, it is expected to grow at 12-15% in FY16 on the back of an improved capital market scenario and moderation in physical returns. Volumes of unit-linked insurance plans grew 54% to R13,300 in FY15 because of an increasing risk appetite and there is a gradual rise in the proportion of the single-premium business for private players. Also, structutal changes like policyholder-friendly products, lower commission and minimum surrender value will augur well for life insurers this year.

Source

Back

General Insurance

Farmers set to get insurance amount soon - The Times of India – 16th July 2015

Over 1.61 lakh farmers in the district are set to get in next three days their share of compensation under crop insurance for Kharif 2014-15 season as Indian Agriculture Crop Insurance Company, Mumbai has released nearly Rs 84 crore for distribution to them.

District collector Kiran Gitte issued instructions to all bank managers to distribute this insurance compensation amount to the concerned beneficiaries in the next three days, ensuring that no beneficiary is deprived of the compensation.

The compensation has come at a time when the farmers are confronted with the prospects of resowing as monsoon has been playing truant for nearly a month.

Gitte said that the compensation amount of Rs. 83.93 crore has been released to 23 banks in the district for distribution to 1,61,130 beneficiaries who had insured their 2014-15 Kharif crop under the scheme.

He said amravati district central cooperative bank is to distribute the highest amount of Rs 49.06 crore to its 68,243 beneficiaries followed by State Bank of India, which is to distribute Rs16.25 crore to its 20,375 beneficiaries. While giving details of the amount to be distributed through other banks, Gitte said that he has given instructions to all bank managers to distribute this amount to the concerned farmers within three days.

Source

Back

The utilities of personal accident insurance - Financial Chronicle – 14th July 2015

By definition, accidents are unpredictable and can cause serious damage. Accidents can be caused due to many reasons. Apart from road mishaps, accidents can also be caused by electrical equipment, heavy object and fire or even by seemingly harmless objects like staircase, table or chair. Everyone — from small children to youngsters to middle-aged couples and retired elderly parents — is vulnerable to accidents and despite all possible precautions, they do occur.

While a majority of the accidents that occur are not major, some do have serious implication on an individual's physical as well as financial health. Such mishaps take only seconds to turn life upside down.

Accidents can even drain an individual's lifetime savings, leaving families in a difficult situation without resources or help. Hence, securing the family's future is of utmost priority. A good way to protect yourself and your family is a personal accident insurance (PAI).

Personal accident insurance is a low-premium personal accident policy. They are also offered as add-ons with life and motor insurance policies. You also get a PAI with some credit cards. However, these PAIs come with a long list of terms and conditions that limit its scope and utility. But PAIs offered by non-life insurance companies provide better coverage at a reasonable cost.

A life insurance policy pays a lump-sum amount in the event of death of the policyholder while a health insurance policy offers to pay the hospitalisation cost in case the policyholder needs to be hospitalised for some medical reason. PAI comes handy if an accident results in the policyholder's disability, temporary or permanent, thereby impacting the individual's earning capacity.

While a PAI is quite similar to health insurance in terms of paybacks, it costs much less due to its focused coverage. A PAI is inexpensive, so one can afford it without any major drain on his pocket. The cost of a standard PAI with a cover of Rs 15 lakh is approximately Rs 3,000 per year. The premium does not depend on age. Hence, it is the same for a 25-year-old and a 50-year-old individual. The premium on personal accident insurance policy depends on one's working conditions and nature of job. And yes, a personal accident insurance plan can also be extended to include the entire family under a single policy. It ensures the financial stability of an individual and his/her family in the event of an accident.

The policy covers death of the individual as well as physical injuries. It covers different types of accident, including vehicular accidents on roads, slipping from the stairs, fall from a height, breaking an ankle, hip or bone during any sporting activity or getting electrocuted by a gadget.

A personal accident insurance policy offers cover to policyholder against all such eventualities. The premium is a marginally higher if the insured opts for a disability cover, but the benefit will be immense due to a comprehensive cover against any disability.

Source

Back

Survey & Report

Managing change in insurance is top risk for companies: CSFI-PwC survey - Business Standard – 16th July 2015

Insurers in India perceive managing changes in the sector as the top risk to their business. The Insurance Banana Skins 2015 survey, conducted by Centre for the Study of Financial Innovation (CFSI) — a non-profit think-tank, in association with PwC — said regulation came in the bottom of the risk rankings in India.

A total of 800 insurance practitioners and sector observers in 54 countries (including India) responded to the survey. The purpose was to find where insurers saw the greatest risks over the next two to three years. The economic environment was also a lower order concern, with positivity about India's growth and inflation under control.

This is in contrast to the overall global findings, where regulatory concerns emerged as the overall top risk for participants in the survey for the third successive time, underlining the deep impact regulatory change has.

Anuraag Sunder, director, PwC India, said, "Respondents from India perceive regulation as the least important risk and this could only be a reflection of the new reality where post the FDI (foreign direct investment) changes, the sector has accepted the new set of regulations as the 'new normal'. They are now more focused on 'change management', which is ranked as the top business risk."

He said fast-paced changes on ever-evolving customer side and increasing demand of digital interface is also a reflection of 'change management' that insurers would need to walk through. Cluttered at the top are financial risks (exposure through long term liabilities and investment performance) and human capital risks (quality of management and human talent), signifying lack of confidence in the talent pool, Sunder added.

As India's customers continue to adopt technology in a big way, adapting to their ever-evolving expectations, especially from a technology standpoint was high on the priority list of the respondents. On the non-life side, the absence of any common data platform to make informed decisions was an area of concern.

The survey showed technology was widely seen as the driving force behind new markets, changing customer demand, and facilitating competition from non-traditional entrants. While the need for insurers to respond to change is nothing new. Many respondents saw the current challenges demanding special urgency.

The concern raised was that the traditional insurance sector might be slow to grasp the opportunity and will end up facing a threat. Developments such as digitisation, the internet and social media are already influencing price and demand for insurance products, and the means customers use to interact with their insurance providers.

Source

Back

80 pc of Indians have no health insurance - Deccan Herald – 9th July 2015

Almost 86 per cent of rural population and 82 per cent of urban population are not covered by any scheme of health expenditure support, according to the National Sample Survey Office in its latest survey after interviewing more than 3,33,000 people.

The government was able to bring only about 12 per cent urban and 13 per cent rural population under health protection coverage through Rastriya Swasthya Bima Yojana and similar plans. Only 12 per cent households in urban area had some arrangement of medical insurance from private providers.

For all others, this share is negligible. In the absence of health insurance, 75 per cent people tap into their hard-earned savings while more than 18 per cent borrow. Borrowing is more in rural areas compared to the cities, where the tendency is more to draw from the savings and household incomes.

"The private sector provides nearly 80 per cent of outpatient and 60 per cent of inpatient care. But the cost of private-sector health care is unaffordable for most Indians," said K Srinath Reddy, president of the Public Health Foundation of India, in an article published in the July 1 issue of the "New England Journal of Medicine".

When NSSO compared the cost of care at public and private sectors, it found while the private health care is four times more expensive than government-run hospitals and clinics in general, treatment of specific diseases cost four, five or even ten times more in private hospitals.

For instance, the obstetric and gynaecological problems, and child care is ten time costlier to treat in the private sector. Similarly, treatment of injury, gastro enteritis diseases, eye and skin problems and metabolic disorders like diabetes are 5-6 times more costly in private care.

Private institutions dominate the field in treating the in-patients for all these years, both in the rural and urban settings.

A steady decline in the use of government sources and corresponding increase in the use of private sources are clearly seen over the last three surveys between 1995 and 2014. The changes were nominal in rural areas between 2014 and 2004.

Source

Back

IRDAI Circular

Source

IRDAI released circular regarding appointment of Surveyors and Loss Assessors to CEOs of all General Insurers.

Global News

Singapore: Law amended to improve life insurance services – Asia Insurance Review

Lawmakers have passed a Bill to amend the insurance law to limit upfront commissions and spread the total commissions paid on a life policy over a specified period, among other measures aimed at improving life insurance services for consumers. In addition, the law as amended on Monday will empower the Monetary Authority of Singapore (MAS) to require insurers to submit information for the web aggregator, known as compareFIRST, and to specify the fees payable by insurers for the development, operation and maintenance, and use of the web aggregator.

CompareFIRST is a collaboration among MAS, the Consumers Association of Singapore, the Life Insurance Association and MoneySENSE, which is the national financial education programme in Singapore. The web aggregator is an Internet portal that enables consumers to compare the premiums, key benefits and features of life policies from different insurers. It helps consumers to make better informed decisions when purchasing life insurance.

The amended insurance law also empowers MAS to prescribe matters relating to the manufacture and offer of life policies, such as their characteristics, benefits and manner of distribution or sale, where it is in the public interest to do so. For example, MAS will be able to require insurers to manufacture and offer Direct Purchase Insurance (DPI) products. Such products are simple life policies that consumers can purchase directly from insurers without commissions and financial advice. With DPI, consumers will have cheaper access to selected term life and whole life policies.

"The initiatives, that these amendments will give effect to, will help to raise the standards and professionalism of the financial advisory industry, and lead to greater efficiency in the distribution of life policies," said Mr Lawrence Wong, Minister for Culture, Community and Youth, speaking on behalf of Mr Tharman Shanmugaratnam, Deputy Prime Minister and Finance Minister, on Monday in Parliament. Amendments to the Financial Advisers Act were also passed that will better align the interests of financial advisers to those of their customers. Some of the amendments mirror those in the insurance law. Under the amended laws, a "significant proportion" of the pay of financial advisers will be pegged to non-sales performance indicators, such as whether they took steps to provide enough disclosures. This will give financial advisers more incentive to support the continuous needs of their customers, said Mr Wong.

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Hong Kong: Insurance Authority to be set up by next year - Asia Insurance Review

Hong Kong lawmakers have passed the Insurance Companies (Amendment) Bill 2014, that among other things, will lead to the establishment of the Independent Insurance Authority (IIA) sometime next year. The Hong Kong Legislative Council passed the amendment Bill last Friday, that will need to be gazetted before it becomes law.

The Secretary for Financial Services and the Treasury, Professor KC Chan, said that the Ordinance will be brought into force in three stages. These are:

1. A Provisional Insurance Authority (PIA) is expected to be set up by the end of this year to facilitate the transition from the existing Office of the Commissioner of Insurance (OCI). The PIA will be given certain administrative powers to undertake key preparatory work, such as recruitment of senior executives. In the interim, the self-regulatory system for insurance brokers and insurance agents will continue.

2. The IIA will take over the work of the OCI, starting approximately one year after the PIA is set up. The IIA will carry out preparatory work for regulating insurance intermediaries, including subsidiary legislation, codes of conduct for insurance intermediaries, and regulatory guidelines. It is expected that there will be public consultations.

3. A statutory licensing regime will be introduced for insurance intermediaries to replace the existing self-regulatory regime.

It is expected that the three-stage process will take two to three years to complete. Professor Chan said, "The establishment of the IIA is the most important regulatory reform in the insurance sector since the passage of the Insurance Companies Ordinance (ICO) in 1983.

"Our policy objectives of setting up the IIA are to modernise the insurance industry's regulatory infrastructure to facilitate the stable development of the industry, provide better protection for policyholders, and comply with the requirement of the International Association of Insurance Supervisors that insurance regulators should be financially and operationally independent of the government and the industry."

Source