भारतीय बीमा संस्थान
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INSUNEWS

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● Quote for the Week ●

"Anger and intolerance are the enemies of correct understanding."

Mahatma Gandhi

INSIDE THE ISSUE

Insurance Industry

India poised for IPO record as insurers rush new deals to market – Mint – 21st August 2017

Indian initial public offerings are headed for a record year, as a rush of insurers seek to ride a rally in the local market and tap increasing investor demand for financial assets.

At least four Indian insurers are aiming to price stock offerings by the end of 2017, according to people familiar with the matter. Total fundraising from first-time share sales in the country could rise to Rs50,000 crore ($7.8 billion) this year, Ajay Saraf, head of investment banking at India's No. 1 IPO underwriter ICICI Securities Ltd, said in an interview.

That would represent about an 85% increase from 2016 and surpass the record tally of Rs36,300 crore set in 2010, data compiled by Bloomberg show. HDFC Standard Life Insurance Co. is planning to seek as much as Rs10,000 crore in an IPO, while a potential offering from SBI Life Insurance Co. could total about Rs8,500 crore, the people said, asking not to be identified because the information is private.

Firms are seeking to take advantage of a surging Indian equity market where there is a dearth of insurance stocks for investors looking to diversify their holdings in the financial industry. The offerings follow the Indian parliament's 2015 vote to increase the amount foreign investors can own in the nation's insurers to 49% from 26%.

"Everyone is in a rush to tap the market before the froth starts settling," Rethish Varma, a Bengaluru-based researcher at MarketSmith India, said by phone. "After the rule change, founders backing insurers were trying to cash in on part of their stakes, and the current bull run offers that opportunity."

Only one pure-play insurer IPO has ever priced in Mumbai, a Rs6,060 crore deal from ICICI Prudential Life Insurance Co. Shares of the company have risen 28% since they began trading in September.

A local stock market that's been trading at record highs for months has already attracted Rs22,100 crore of first-time share sales this year, twice the volume of deals done during the same period in 2016, data compiled by Bloomberg show. Amid this rally, New India Assurance Co. is also planning an IPO that could raise about Rs10,500 crore, while General Insurance Corp. of India is preparing a share sale of around Rs12,000 crore, people familiar with the matter said.

"This year will be marked by insurance capital raisings," said Sachin Wagle, the India head of global capital markets at Morgan Stanley. "A few of the leading franchisees in life, as well as non-life insurance, have achieved scale and started delivering consistent profitability."

Representatives for HDFC Standard Life, SBI Life, New India Assurance and General Insurance Corp. didn't immediately respond to requests for comment.

HDFC Standard Life filed a draft prospectus 18 August with the Indian capital markets regulator. Housing Development Finance Corp., India's largest mortgage lender, and Standard Life Plc have agreed to sell shares in the offering, which is being arranged by banks including Morgan Stanley, HDFC Bank Ltd, Credit Suisse Group AG, Citic CLSA and Nomura Holdings Inc.

SBI Life, the insurance arm of India's biggest bank, lodged its preliminary offering documents last month. A rapidly expanding economy and rising incomes will contribute to continued growth in the insurance sector in India, which only accounts for 1.5% of premiums globally despite being the world's second most populous nation, according to Kisan Ratilal Choksey Shares & Securities Pvt. Ltd.

"We expect a lot of interest from quasi-sovereign funds and large pension funds for these share sales," said ICICI's Saraf, who wasn't referring to a specific deal. "Insurance is a largely under-penetrated sector, and the growth potential is pretty substantial."

Source

Back

Insurance Regulation

Insurance regulatory environment has stabilised, says Anoop Pabby – The Hindu Business Line – 24th August 2017

The insurance regulatory environment has stabilised "quite a bit" over the past two years and the sector is the better for it, according to Anoop Pabby, Managing Director and CEO, DHFL Pramerica Life Insurance.

The Insurance Regulatory and Development Authority (IRDA) has opened up this sector through the open-architecture route.

This allows a bank to tie up with three life insurance companies and three general insurance companies, Pabby said.

With respect to DHFL Pramerica's bancassurance tie-up with Dhanlaxmi Bank, he said his company will ride on the back of its customised product to provide superior solutions to bank customers and become the majority partner in the insurance distribution business.

DHFL Pramerica has turned around since 2013, Pabby said. "It was the youngest life insurance company to become profitable, and we have now reached a stage where we can count ourselves among the big boys."

Three years ago, the company used to languish way down the pecking order. But now, it is eighth in a field of 23 players. The bancassurance tie-up is a big growth driver and also an opportunity to service customers in the South, he said.

Asked if the tie-up hadn't come too late in the day, Pabby said DHLF Pramerica is a young company having started off in 2009. The initial thrust was to open proprietary organic channels.

"As we grew in size, we made ourselves suitable for banker partners. Dhanlaxmi is our third partner after Lakshmi Vilas Bank and IndusInd Bank. It's a natural progression in the evolution of our company's growth."

It was important that the company built the service platform, technology capabilities and customer service processes to be able to address bank customers — all of which are now in place.

Responding to another question, he said it is part of a strategy to court regional banks, giving the company the opportunity to understand the demographics better in order to sharpen the product proposition to various segments.

Asked if he perceived any threat from the agency business or the online segment, he said that over the past 10 years, the agency business contribution has continued to decline and the bank's business has witnessed an increase.

From 95 per cent share in 2000, the agency contribution has come down to 33 per cent, while the banker business share has gone up to 55 per cent or so.

This endorses the fact that customers have come to trust the bank, the wealth manager or the teller more, when it comes to accessing a life insurance product, Pabby said.

"As for digital, we feel that as the bank starts digitising its business, it will offer the same bouquet of life insurance products through its portal, app or website. We'll act as the manufacturing partner."

Source

General Insurance

Over 90 lakh farmers benefited from crop insurance scheme: Officials to PM - The Financial Express – 21st August 2017

Over 90 lakh farmers have benefited from the crop insurance scheme during the Kharif season last year and the Rabi season in 2016-17, a meeting chaired by Prime Minister Narendra Modi was told here today. The prime minister was informed that claims of over Rs 7,700 crore have already been paid to farmers under the Pradhan Mantri Fasal Bima Yojana, according to a PMO statement. Officials told the meeting that latest technology including smart phones, remote sensing, satellite data and drones are being used for speedy data collection with regard to crop insurance claims, it added.

The meeting was convened by the prime minister to review the progress of two key schemes related to the agriculture sector – Soil Health Cards and Pradhan Mantri Fasal Bima Yojana, the statement said. With regard to Soil Health Cards, the prime minister was informed that 16 states and Union Territories have completed the first cycle of distribution and the remaining are likely to complete the same within weeks. At the meeting, Modi said appropriate checks should be undertaken for variation, both within a sampling grid, and across different soil testing labs. This would help ensure quality in the reports, he added.He emphasized that soil health cards should be printed in the local dialect of an area so that the farmers are able to read and understand them easily, the statement said.

Encouraging the rapid adoption of latest technology, the prime minister said soil testing should eventually be possible through hand-held devices. He urged the officials to explore the possibility of involving start-ups and entrepreneurs in this exercise. Senior officials from the Ministry of Agriculture, NITI Aayog and PMO were present during the review meeting.

Source

Back

India: Govt wants state-run insurers to turn around group health business – Asia Insurance Review

The Finance Ministry has directed state-owned general insurers to put in place an appropriate mechanism for pricing group health cover, as this class of business has been reporting losses. The mechanism is to take into account the existing incurred claim ratios, management expenses, medical inflation, commissions, likely increase in claims due to ageing, increase in size of the group and the cost of underwriting, reported *The Times of India*.

The advisory from the ministry is part of the various circulars on corporate governance, profitability and underwriting prudence that the government sends out from time to time.

State-owned National Insurance said it does have a pricing mechanism for its corporate health insurance products. "We always take into consideration the incurred loss experience of the past two-three years, cost of operations and the projected outgo in the coming year. The renewal pricing of each large employee benefit programme of corporates is always based on these broad parameters and then finalised in case to case negotiations," National Insurance Chairman Sanath Kumar said.

Oriental Insurance Chairman A V Girija Kumar said his company adopts careful underwriting of group health business, which is in line with commercial prudence. "Our approach of prudent underwriting is acknowledged in the market. So we're comfortable with guidelines since we are already following the same," he said.

Source

Back

Reinsurance

India: Gen Re suggests how reinsurance mart can be further opened up – Asia Insurance Review

Global reinsurance major Gen Re, which has received a branch licence in India, has outlined regulatory hurdles that it considers can be removed for the market to grow.

Among them is the rule requiring INR1 billion (US$15.6 million) capital to start reinsurance branch operations. Dr Winfried Heinen, Chairman of the executive board of directors of Gen Re, holds the view that a branch should not have its own capital since it is part of a larger entity, reported *The Hindu*.

"To grow more in India, we have to bring in more capital — which we cannot use anywhere else, and that makes it more expensive to do business in India. This will be reflected in the prices we can offer to our clients, and probably this will again be reflected in the prices they offer to their clients. This inefficiency has a knock-on effect on the customers," he added.

Speaking to *The Indian Express*, he said:"By law, we have to bring in US$15 million and then we have to increase the capital as the size of the business grows."

"I think I am not speaking on behalf of Gen Re alone but for all international reinsurers. Reinsurers do like open competition. The more we diversify, the better we can use our capital," he said.

Another hurdle cited by foreign players is that IRDAI also requires that state-run general insurer GIC Re be given the right of first refusal of any reinsurance business in the country.

"Clearly there is a consensus in the international reinsurance market that minimum protectionism and low legal hurdles will benefit the market," Dr Heinen said.

He said that Gen Re will focus more on the bottom line than the topline. "The market conditions are very tough in the general reinsurance business. We will be interested in focusing on our bottom line and not so much of our top line,'' he said. Prior to setting up its branch, Gen Re was in the Indian market for the past 15 years through various channels with a focus primarily on life and health sector.

Other foreign reinsurers operating in India are: Munich Re, Swiss Re, SCOR, Hannover Re, RGA Life Reinsurance Company of Canada, XL Catlin and Axa Re. In addition, Lloyd's operates a branch too in the country.

Privately-held local reinsurer feels disadvantaged
Reinsurance regulations are also affecting India's first private reinsurance company, ITI Reinsurance (ITI Re). Last month, ITI Re indicated that it was ready to surrender its licence, arguing that current reinsurance regulations are illogical and create an uneven playing field.

ITI Re, which received the IRDAI's final approval for a reinsurance licence last December, has not started operations. It pointed out that under the rules, primary insurers in India are to reinsure with a domestic reinsurer which has a credit rating that signifies financial stability for the past three years.

"How can a new company like ours have a credit rating for three years," said ITI Re's COO Mr R Raghavan. He urged the IRDAI to remove the three-year credit rating criteria for new reinsurers to enable them to secure business from primary insurers. In a response this month, IRDAI sought clarification from ITI Re as to whether it is serious about running operations or wants to close shop, reported CNBC-TV18.

Evolving
Mr Venkatesh N. Chakravarty, Gen Re's India CEO, said: "Indian reinsurance regulations are evolving. IRDAI has formed a committee to review the existing regulations. This is most welcome."

India's reinsurance regulators have commissioned a special report on the industry in India and the impact on the country of allowing foreign firms to open branches in India. The committee examining India's regulatory framework for reinsurers Is expected to submit its report with recommendations for the Indian regulator by the end of this month.

Source

Back

Global News

Malaysia: General insurance sector sees flat premiums in 1H – Asia Insurance Review

The general insurance industry in Malaysia saw gross written premium decline by 1.9% to MYR9.17 billion (US$2.14 billion) for the first half of 2017 compared to the same period last year, the General Insurance Association of Malaysia (PIAM) announced yesterday.

Overall, the industry recorded a mixed performance across all business lines. While the two dominant classes of Motor and Fire insurance grew 1.8% (MYR4.2 billion) and 2.4% (MYR1.8 billion) respectively, the industry was weighed down by the sharp drop of 13.2% in Marine Aviation and Transit (MAT) insurance from MYR944 million to MYR820 million. The depressed state of the Oil & Gas industry and a weak aviation sector were the main contributing factors to the poor MAT results.

Personal Accident (PA) insurance declined 12.5% from MYR696 million to MYR608 million, while Medical and Health insurance (MHI) grew 7.1% with gross written premiums reaching MYR628 million. The Miscellaneous class comprising Bonds, Liabilities, Engineering and Workmen's Compensation registered a decline of 9.7% with gross written premiums of MYR1.13 billion.

In insurance claims, the industry continued to experience a deteriorating trend with the Net Claims Incurred Ratio increasing to 57.4% for the first six months of 2017 from 53.8% in the corresponding period in 2016. Motor as well as Medical and Health insurance recorded the highest percentages at 71.4% (from 65.0%) and 71.8% (from 67.2%) respectively.

Motor

Motor insurance claims paid out by insurers amounted to MYR2.68 billion in the first half of 2017. On a per day basis, insurance companies paid out a staggering MYR4.7 million in claims for property damage, bodily injury and vehicle theft. The high frequency and severity of road accidents in the country pose a major concern to the industry.

In 2016 alone, a total of 7,152 people were killed in road accidents in Malaysia representing a 7% increase over road accident fatalities in 2015. The number of traffic accidents recorded in 2016 also increased by 7% to 521,466 compared to 489,606 accidents in 2015. PIAM has consistently promoted safe driving through its various campaigns held during the General Insurance Day commemoration and other public events. Recently, PIAM signed a Memorandum of Understanding with the Malaysian Institute of Road Safety Research (MIROS) to strengthen collaboration on vehicle and road safety initiatives for the benefit of all road users.

At the national level, PIAM has set up the Accident Assist Call Centre (AACC) to help motorists when they meet with accidents. This is a toll-free 24/7 nationwide hotline which arranges for emergency roadside assistance like towing services and also provides information on insurance claims enquires. This service is now supplemented with a parallel hotline number. Although every effort is made to ensure the public is aware of road safety, the role played by the law enforcement agencies is extremely important.

In this regard PIAM fully supports the Kejara System which was introduced in April this year. The demerit point system will compel drivers to exercise more care when driving on the roads.

Motor vehicle theft counts continue to decline. The first six months of 2017 saw a decrease of 25% in motor vehicle thefts. The total number of stolen vehicles for all classes amounted to 7,897 a significant reduction from 10,551 for the first half of 2016. PIAM would like to commend the Police (PDRM), Customs and the law enforcement agencies for their steadfast commitment and collaborative efforts working closely with the Vehicle Theft Reduction Council (VTREC) established by the industry. VTREC is a multi-stakeholder platform comprising governmental agencies and the insurance companies working together to eradicate vehicle theft nationwide.

In another major effort, the industry is taking concrete steps to combat insurance fraud and inflated claims plaguing the motor insurance business. An industry wide Fraud Intelligence System (FIS) will be launched soon. The system will help expose fraud syndicates at work and provide leads for investigations by insurance companies eventually leading to their prosecution by law enforcement authorities.

PIAM Chairman Antony Lee said "The general insurance industry is transitioning positively to date into a liberalised environment for the Motor and Fire classes by adopting a phased approach. The policy intention is to enable insurers and consumers to adapt to the changes gradually given the increase in competition and innovation in the market. In this way, we can maintain order and preserve the stability and soundness of the industry". Since 1 July 2017, insurance premiums for Motor Comprehensive and Motor Third Party Fire and Theft products have been liberalised where pricing is determined by individual insurers. PIAM's national consumer education campaign is in full swing to heighten public awareness and understanding on the benefits of liberalisation. With the phased liberalisation motor premiums, insurers will take into account broader risk factors that will drive fairer pricing at competitive prices. Good drivers will be rewarded while bad risks drivers with poor driving record and traffic violations will be recognised.

Motor Product Selector

PIAM CEO Mark Lim added that consumers can make a difference by being aware of their insurance needs and risk profiles. In this way they can make informed decisions given the wide choice of products available. They should shop around for the products that would best serve their needs. In line with this PIAM has launched a

"Motor Product Selector" feature on its website with links to all insurers. This online platform provides consumers with key information on the insurance covers available and connects them directly with the insurance companies. Consumers can select the products they wish to purchase from the insurer of their choice and request for quotations at their convenience.

Looking ahead, PIAM expects a challenging year with the prevailing uncertainties in the business climate. Barring a robust upturn in the external environment for the second half, industry growth in 2017 is likely to stagnate.

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