# Insurance Institute of India

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# INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

"To succeed in your mission, you must have single-minded devotion to your goal."

A. P. J. Abdul Kalam

INSIDE THE ISSUE



## Insurance Industry

### *Insurance via e-commerce to make insurance cheaper for customers - Business Standard – 9th June 2016*

The Insurance Regulatory and Development Authority of India (IRDAI) in its draft norms on e-commerce in the insurance space has said insurers can have differentiated pricing for products sold online. This will be done through a self-network platform.

Till now, the same product was not allowed to have different pricing on different channels.

"Insurers may offer differential pricing for the same product when sold through the Insurance Self-Network Platform. The pricing of every product shall be decided by the insurer and it shall be the responsibility of the insurer that product pricing is in compliance with the product filed with the authority," said IRDAI in its draft norms.

K G Krishnamoorthy Rao, MD & CEO of Future Generali India Insurance, said: "This will undergo a change now and we can provide discounts on premium for the same product online."

The regulations said the insurance self-network platform could be available on a website, a mobile application or both. However, only those entities granted certificate of registration by IRDAI will be allowed to sell the products. This include agents, intermediaries and insurance companies, among others. The products that will be sold through the website include life insurance, non-life insurance as well as standalone health products.

Regular products will be distinguished from the products being sold on these portals through the prefix "i". IRDAI has said that all products that are approved under the product approval regulations permitted by the respective regulations can be offered through the Insurance Self-Network Platform.

Sharad Mathur, senior vice-president and national head-agency, digital and alternate channel, SBI General Insurance, said this move would help increase insurance penetration.

We will be able to sell products in rural areas without having a physical presence. Now that we have regulatory support for this initiative, more customers will be motivated to buy online. For us, the operating expenses will come down since products can be sold online," he added.

The process will now be fully online. IRDAI said that a proposal form for insurance business transacted on the Insurance Self-Network Platform will not carry wet/ physical signature. Instead an electronic signature or digital signature or single factor authentication such as One Time Password, PAN Card & Date of birth authentication may be used for underwriting and acceptance of risk for insurance business transacted on the Insurance Self-Network Platform. Till now, even if products were brought online, a physical form was needed to be signed.

M Ravichandran, President-Insurance of Tata AIG General Insurance, said the proposed norms for selling and servicing of insurance policies through the e-commerce platform would facilitate ease of entry for distributors to get onto digital platforms. However, he also added that many insurance companies would need to invest in solutions which clearly allow on-the-go integrations (simple APIs) for partners. This platform would require a technology partner or in-house tech capability, which is not a known strength for traditional distributors.

IRDAI has said that products shall be sold in electronic form which would be through electronic insurance accounts that would have to be opened by customers mandatorily. Ravichandran said that from a customer's point of view, this process is very tedious as they will have to compulsorily have an e-insurance account to buy insurance through this channel. But he said that overall, if companies are able to execute this process appropriately and invest in acquisition efforts, this platform will give companies a huge edge over the competition in the long run.

Sanjay Tripathy, senior executive vice-president of marketing, analytics, digital and e-commerce at HDFC Life said, this would go a long way in preventing frauds and eventually bringing down the cost of insurance in the long run.

It is not just insurers who can set up this platform. Even insurance intermediaries like brokers and also agents can set up the Insurance Self-Network Platform. But those used by an insurance agent would be treated as that of an Insurer and the insurer would be responsible for complying with the requirements spelt out in the regulations. Here, a product sold through the Insurance Self Network Platform (Set up agents/brokers) would also be entitled to commission or remuneration.

Source

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### *Web aggregators get Irdai approval - Financial Chronicle – 8th June 2016*

Insurance regulator Irdai has recognised web aggregators as insurance intermediary, and amended the regulations overning them.

Limit of premium per risk/ per life of products sold on the web aggregator has been revised from Rs 50,000 to Rs 1.5 lakh. Besides the price of the product, web aggregator is required to display its important features, terms and conditions, exclusions, benefits and a comparison of prices of different products.

"Irdai's new norms for web aggregators are progressive and aligned with prime minister Narendra Modi's vision for both digital India as well as promotion of life insurance, health cover, accidental cover and critical illness cover. It takes into account the high retention rates online and positive consumer feedback on the channel. Allowing web aggregators to sell insurance policies for cost up to Rs l.5 lacs is a testimonial to the consumers' growing confidence in the do-it-yourself approach," said Yashish Dahiya, CEO & co-founder, Policybazaar.com.

Web aggregator also has been allowed to charge a flat fee of Rs 50,000 per product. Further, Irdai has raised the paid-up capital requirements and net-worth from Rs 10 lakh to Rs 25 lakh.

The foreign investment limit has been increased from 26 per cent to 49 per cent. Manner of calculating the equity capital held by a foreign investor in the web aggregator has been defined on lines with insurance companies. They should also comply to Indian-owned and Indian-control criteria meant for insurers. Shares of web aggregators should not be pledged and should remain unencumbered.

Where there are one or more investors in a web aggregator, no investor shall hold shares in a web aggregator company exceeding 10 per cent of the paid up equity capital. All investors jointly shall not hold more than 25 per cent of the paid up equity share capital. While an investor in a web aggregator may be the investor for other web aggregators, he cannot be a promoter in more than one web aggregator.

Source

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## IRDAI Regulation

### *Soon, more players can hawk insurance online – The Hindu Business Line – 9th June 2016*

You could soon buy insurance through a mobile app, thanks to a new initiative by the Insurance Regulatory and Development Authority of India (IRDAI).

The regulator is planning to put in place an insurance self-network platform which could be used by an agent to sell and service products on behalf of registered insurers.

"The insurance self-network platform will be available as a regular internet website or as a mobile app or both," Randip Singh Jagpal, Senior Joint Director, IRDAI, said in a circular sent to chief executive officers of insurance companies.

The objective is to promote e-commerce in the insurance space, which will lower the cost of transacting insurance business and bring higher efficiencies and greater reach. “E-commerce is seen as an effective medium to increase insurance penetration and bring financial inclusion in a cost-efficient manner,” Jagpal said.

All products approved under the regulations will be allowed to be sold through these platforms and they should be prefixed with the letter “i-” to distinguish them from regular products.

From both the industry and consumer angles this move will have significant implications. Till now, only insurers and web-aggregators were allowed to sell online. But now, many others in the distribution chain will also be able to sell online, according to Sanjay Tripathy, Senior Executive Vice-President – Marketing, Product, Analytics Digital & E-commerce, HDFC Life.

“This is the first time that IRDAI has recognised such a platform with robust security features. Even differential pricing of products will be permitted,” he said, adding that the move will help insurers cut costs.

Insurers will also have to create e-insurance accounts in accordance with norms to sell policies on the self-network platform. For online sales, premiums will be paid via credit/debit cards, Net banking or any other electronic mode as permitted by the Reserve Bank of India.

Source

On completion of an online transaction, the policy document will be credited to the buyer’s e-insurance account. According to industry estimates, less than 3 per cent of new business (approximately Rs 300 crore) is transacted online now.

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### *India: Draft rules for online insurance unveiled – Asia Insurance Review*

The insurance regulator, IRDAI, yesterday released proposed rules for online insurance business, with the goal of increasing insurance penetration in the country in a cost-effective manner.

"E-commerce is seen as an effective medium to increase insurance penetration and bring financial inclusion in a cost-efficient manner," it said.

The rules cover the setting up of an “Insurance Self-Network Platform” to undertake Insurance activities.

IRDAI also said that insurers can have differentiated pricing for products sold online. Till now, the same product was not allowed to be priced differently on different channels.

"Insurers may offer differential pricing for the same product when sold through the Insurance Self-Network Platform. The pricing of every product shall be decided by the insurer and it shall be the responsibility of the insurer that product pricing is in compliance with the product filed with the Authority," said IRDAI in its draft.

Those who can set up the Platform include entities granted a certificate of registration by IRDAI such as insurers, insurance intermediaries, insurance agents and any other entity recognised by the Authority.

The draft also lays down the procedure for the granting of permission to establish an Insurance Self-Network Platform. The draft regulations say that the Platform could be available on a website, a mobile application or both.

Mr Sharad Mathur, Senior Vice President and National Head-agency, digital and alternate channel, at SBI General Insurance, told Business Standard: "We will be able to sell products in rural areas without having a physical presence. Now that we have regulatory support for this initiative, more customers will be motivated to buy online. For us, the operating expenses will come down since products can be sold online."

IRDAI also said that a proposal form for insurance business transacted on the Insurance Self-Network Platform will not carry a physical signature. Instead an electronic signature or digital signature or single factor authentication such as One Time Password, PAN Card and date of birth authentication may be used for underwriting and acceptance of risk for insurance business transacted on the Platform. Till now, even if products were brought online, a physical form still needed to be signed.

Source

IRDAI has said that products sold online would be through electronic insurance accounts, that would have to be opened by customers.

## Life Insurance

### *Pension product numbers dwindle at life insurers - Business Standard – 9th June 2016*

New pension products from life insurance companies still continue to dwindle as insurers are looking to get a level-playing field in this space with National Pension System (NPS). While additional tax incentives were introduced for NPS in the Budget, no such exemptions were provided for pension policies from insurers.

The finance ministry, in the budget, said that 40 per cent of the pension wealth received by an employee from the National Pension System Trust will be exempt. Their aim was to bring a uniform tax treatment to the recognised provident fund, national pension system and superannuation fund.

A senior insurance executive said that even before this budget, they had demanded that even their pension products should be given equal treatment with respect to tax, so that customers are encouraged to buy the products. But, they were not given any incentives.

With respect to insurers' pension plans, these products, which earlier used to be almost 25 per cent of the overall product portfolio, has now dropped to less than 10 per cent. Insurance executives said that they have been constrained by the provision to provide non-zero returns that are to be guaranteed to customers at time of purchase.

"With volatility in the market, is difficult to offer any fixed return since there is an interest rate risk. Rates may move lower or upward in a long-term and hence we are not able to offer guarantees and have decided to wait till some relaxation on this provision is provided," said the chief executive officer of a mid-size life insurer.

In January 2012, the Insurance Regulatory and Development Authority of India (Irdai) had said pension products would have to guarantee an assured benefit in the form of a non-zero rate of return, which would need to be disclosed up-front. Further, it said annuity had to be bought from the same company. These regulations had led to slower approvals of pension products. Initially, there was a dearth of pension products in the market. However, the gap was filled after some private life insurers launched pension products.

Industry data showed that there has been a big fall in the premium collection in the pension product space. The overall collection fell to less than Rs 3000 crore in last fiscal compared to Rs 20,000 over five years ago. Further, tough competition from National Pension System (NPS) has also affected sales.

During the last budget, addition exemption of Rs 50,000 was provided for NPS which proved as an attractive tax saving option. Insurers had also sought separate tax provisions for pension products in the budget. However, no such provision was provided for.

Most life insurers feel the guarantee element has made pension products different from NPS, while their fundamental structures are the same. Unlike NPS, service tax is applicable to pension products. Insurers also have to maintain a conservative strategy in terms of investment, to give these 'non-zero' returns.

**Source**

The numbers of new pension products in the market have also dropped since insurers are taking a wait-and-watch approach. Also with the five products per year norm into place, insurers are looking at other product categories for new product launches and product heads in companies said that pension was not a top priority till some clarity emerges on any possible relaxations in tax or guarantees.

**Back**

### *Transparency wave now covers insurance agents - Business Standard – 8th June 2016*

Those looking to buy a life insurance policy can now ask agents how much commission will be paid from the premium and the agent will have to disclose this. Earlier, this was applicable only for unit-linked insurance plans (Ulips). In addition, customers can ask agents for their identity card or appointment letter to verify their authenticity. Agents will now have to inform the policyholder upfront about the chances of the policy being rejected or approved. Agents will also not be able to hide information about whether the policyholder is a smoker or non-smoker, from insurance companies as this will affect underwriting.

In the past, agents used to withhold such information to ensure the policy is approved. These are the main features of the codes of conduct prescribed for insurance agents in the Regulations for Appointment of Insurance Agents notified by the Insurance Regulatory and Development Authority of India (Irdai) recently.

While some of these codes were already in place, the latest notification has to be implemented by all insurance companies.

Importantly, the regulations also say that agents should not offer different rates, advantages, terms and conditions other than those offered by the insurance company, demand or receive a share of proceeds from the beneficiary under an insurance contract or force a policyholder to terminate the existing policy and buy a new policy from him within three years. If an agent's licence is cancelled, he cannot apply for fresh agency appointment before five years. An agent who does not comply with the code of conduct can be penalised up to Rs 10,000. Even insurance companies can face penalty as they have fiduciary responsibility for agents.

"The code promotes transparency in disclosures at the point of sale and provides the customer the right to demand information relevant for the purpose of decision making. The provision on blacklisting agents and having a central database ensures that a mechanism to verify the background of the agent is in place to protect the interests of the customers," says C L Baradhwaj, senior vice-president (compliance) & chief risk officer at Bharti AXA Life Insurance.

"It will benefit the industry since it brings in transparency. It helps mitigate the risks associated with protection of customers and mis-selling. Some may feel that if the customer knows how much I am earning on a traditional policy, he may ask me for the commission and that this will weaken the sales process. But, that is a short-term blip. The impact will be marginal and temporary," says Rushabh Gandhi, director of sales and marketing at India First Life Insurance.

The first year commission for traditional policies can be as high as 40 per cent, which customers might consider too high. But, if the product meets the customer's requirements, he would be willing to buy it despite knowing how much commission is paid to the agent, says Gandhi. So, agents will have to sell the right product to customers.

Now, customers can ask the insurance agent to demonstrate how the product satisfies his or her insurance needs. To verify the authenticity of the product features, customers can ask for a copy of the product brochure supplied by the insurance company to the agent. "Further, the details of insurance premium charged, including extra premiums, if any, the mode of payment of premium, benefits, nomination facility, exclusions (circumstances when the benefits are not paid) etc, are required to be disclosed at the point of sale and, if not disclosed, customers can demand," explains Baradhwaj.

Irdai maintains a centralised list of blacklisted agents. Customers can verify if the agent is blacklisted or not by entering the agent's name, licence number (if available), type of insurance, name of the insurance company, state and district, etc. Some insurance companies also publish a list of blacklisted agents on their website. Customers can lodge a complaint directly with the insurance company or through the Irdai portal about blacklisted agents.

Source

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## *India: Number of life insurance products rose by 20% at 31 March – Asia Insurance Review*

The life insurance sector in India had 631 products for sale to customers at the end of the last financial year on 31 March 2016, 22% more than the 516 products available 12 months previously, according to data from the Life Insurance Council.

Among the total products in FY2015-16, nearly 475 were individual products and 156 were group. This rose from 375 and 141, respectively, reported Business Standard citing the data.

While individual products outnumber group products, life insurance companies have seen slower growth in individual first-year premium collections for 2015-16. While individual first-year premiums saw 5% growth in FY2015-16 compared to FY2014-15, group segment premiums saw growth of 39% for the financial year.

According to insurance sector officials, the pace of product approvals has also improved, enabling them to launch products throughout the year.

Source

There are 24 life insurance companies in India.

## Health Insurance

### *Med insurance net set to cover all Delhiites - The Times of India (Delhi) – 9th June 2016*

The Delhi cabinet has given an in-principle approval for introducing a health insurance scheme for everyone in the state. Slated to empanel government and private hospitals, it will be rolled out by the end of this year, health minister Satyendar Jain told TOI.

"There will be three categories for payment of premi um, the highest payment for which should not exceed Rs 3,000 annually. For those below poverty line, the government will pay the premium and effectively open up private healthcare for those who have not been able to afford it so far," the minister said.

Everyone with a valid proof of residence in the capital -passport, voter ID or Aadhaar card will be eligible for the scheme.

The scheme, which draws many features from similar ones in Andhra and Tamil Nadu, will cover 1,800 medical procedures. "An accident insurance will be included, which may be free for everyone, under which it will be mandatory for all hospitals, empaneled or not, to admit and treat an accident victim. Police will have to take an accident victim to the nearest hospital instead of a government one," Jain said. The government will distribute health cards, starting with government hospitals and then extending the service to private hospitals as well. At present, patients get financial assistance under the Delhi Aarogya Nidhi scheme. However, it has few takers as it requires a lot of approvals and paperwork. Rashtriya Swasthya Bima Yojna (RSBY), another health insurance scheme provided by the state, is also for the poor.

Officials in the state health department said the scheme is expected to cost the government well over Rs 700 crore. The Congress government in Delhi had also proposed to introduce a similar health insurance scheme for all. It had formed a governing board of trustees which considered integration of RSBY scheme with the proposed health insurance plan. However, it could not be implemented.

Dr Devi Shetty, who is a trustee of two health insurance schemes that are running in Karnataka for farmers and the low-income group, said only 20% of India's population is covered under any health insurance.

Source

"Of this, about 2% are provided by the government (RSBY, CGHS and ESIS among others) and 18% are given by private insurers. The rest of the population has to pay out of pocket for their health needs," he said.

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### *State govt re-introduces Rajiv Gandhi health scheme, names it after Phule - The Times of India (Mumbai) – 8th June 2016*

After making some changes to the Rajiv Gandhi Jeevandayee Yojana (RGJY) and including a fresh set of surgeries that can be done under cashless insurance, the state government has decided to change the scheme's name to Mahatma Phule Janaarogya Yojana. RGJY will come to an end in November.

Under the new scheme, the insurance amount will be increased from the existing Rs 1.5 lakh to Rs 2 lakh. Ailments like cancer, kidney transplant, swine flu and paediatric care are included in the new scheme. The RGJY included 971 procedures, while the new scheme will have 1,034 procedures. Of the 1034 procedures, 31 will be specialized surgeries like paediatric and geriatric ones. Dental procedures have also been listed in the new scheme.

"Instead of continuing with the same scheme, we have decided to revamp it and since the two are quite different, we are launching it like a new scheme, and hence, the change of name," said health minister Deepak Sawant.

He added that they will float tenders so that insurance companies can bid for the project, and like earlier, there will be no cap on the number of hospitals that can be empaneled under this scheme. There were 470 hospitals under RGJY scheme. Now, any hospital with more than 50 beds can be a partner in the scheme, said Sawant. The state cabinet gave its nod to the scheme's new avatar on Tuesday.

State Congress president Ashok Chavan condemned the name change decision. "We have full respect for social reformer Mahatma Jyotiba Phule. Instead of renaming the Rajeev Gandhi scheme after him, the CM should have launched an independent scheme in the name of Phule. We condemn the decision. We will lodge a state-wide protest against the ill-advised decision," he said.

"Strongly oppose the state government's move to change the name of Rajiv Gandhi Jeevandayi Arogya Yojana. Proves the state government's mental bankruptcy to a start new scheme," said Congress MLC Sanjay Dutt. Below Poverty Line citizens with orange ration card are beneficiaries of this scheme.

**Now, a Thackeray accident insurance plan**
The state government on Tuesday launched another scheme in the name of Shiv Sena leader Bal Thackeray. The scheme, Bal Thackeray Upgath Vima Yojana, provides for treatment of accident victims in trauma care hospitals for three days. The government will cover the cost of treatment up to Rs 30,000. Such a scheme is currently operational in Tamil Nadu.

Source

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### *Government promises for medical insurance for poor – The Times of India – 6th June 2016*

Jharkhand government will roll out medical insurances for critical diseases, chief minister Raghubar Das said on Monday.

"In a few months, we will be starting medical insurances up to Rs 2.5 lakh for gambhir bimaari (critical diseases). Besides critical diseases, medical insurances for non-critical illnesses of up to Rs 50,000 will also be started," Das said at the health directorate in Namkum after inaugurating several health schemes. As much as 80% of the total population will be brought under cover of the twin insurances, which will be launched in following months, the CM said. Primarily aimed at people living below poverty line and for those with annual household incomes less than Rs 72,000, the insurances will bring people from all economic backgrounds under its fold, the CM said.

The CM also announced government plans of setting operational seven new nursing colleges within the next financial year and hinted at long term plans of developing Jharkhand into a premier supplier of nursing force in India along the lines of Kerala. "Educated women from tribal communities have interest in the profession. We want to give them quality training," he said.

According to officers in the state health directorate, process of setting up nine new nursing colleges has already got underway. Apart from that three new colleges for general nurse midwifery (GNM) are also slated to get on the ground.

"The CM has recently instructed the department to identify districts and their blocks where there is interest in pursuing career in nursing. Such blocks, which have a hospital with around 50 to 60 beds, will see new nursing schools," a senior health department official said on anonymity.

Source

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## General Insurance

### *Lloyd's eyes 8-10% annual growth in India business - The Financial Express – 9th June 2016*

UK-based reinsurer Lloyd's of London is looking at 8-10 per cent annual growth in its India business, a senior executive said today.

At present, the Lloyd's annual premium income from within the country stands at USD 200 million (around Rs 1,334 crore).

Lloyd's currently underwrites business in the country on an off-shore basis. It has applied for licence before the insurance regulator Irdai and the company is likely to kick off its operations in the country by early next year.

"We are looking at a growth in our business from India operations in future at 8-10 per cent which is slightly more than the country's GDP growth," Lloyd's of London chairman John Nelson told reporters here.

In 2013, the non-life penetration rate in the country was 0.6 per cent, compared with an average of 1.4 per cent in Asia Pacific and a 6.1 per cent global average, he said.

The USD 12.5 billion (around Rs 83,400 crore) country's non-life market is heavily state influenced, with 65 per cent of re-insured risks staying onshore. To start with, Lloyd's, which operates through syndicates, will have small operations in the country. "Initially, there will be 2-3 syndicates with us when we kick off our operations in the country which is likely from the early next year which will be expanding gradually in future," Nelson said.

Some of the lines of business Lloyd's operates in are energy, aviation, property, marine and catastrophe. We would grow our business in the country gradually by offering solutions for complex and specialist risks like infrastructure, energy, director and officer liability, trade credit, terrorism and disaster management. For us, Indian market from the day one will be high competitive market," he said.

Speaking about the regulatory environment in the country, he said, "We are happy to be allowed to operate in the country. However, we do hope that the regulator here will further liberalise its regulations for global re-insurers in the country in coming days."

At present, the state-run GIC Re is the sole re-insurer in the country and as per the regulatory norm, it will continue to get first right of refusal even as quite a few global re-insurers have applied for licence in the country. Replying to a query on the GIFT City, which is being developed in Gujarat, he said, "to do that India has to face competition from already existing international finance centres like Dubai, Singapore and China."

Source

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## *Insurance for plantation crops soon - Financial Chronicle – 7th June 2016*

According to the plan, farmers will pay just 10 per cent of the premium and the rest would be subsidised by the Centre and states. After launching the pradhan mantri fasal bima yojana (PMFBY), the government plans to roll out an insurance scheme for farmers of plantation crops like tea, coffee and spices to help them sustain weather-induced losses in yield.

The draft guidelines have been sent to states for feedback, said Santosh Sarangi, a joint secretary in the commerce ministry. According to the plan, farmers will pay just 10 per cent of the premium and the rest would be subsidised by the Centre and states. The Centre will give a subsidy of 75 per cent and states will contribute 15 per cent of the premium, Sarangi said.

"Plantation farmers don't have an insurance scheme and they face losses in productivity whenever there is weather anomaly," he said. "All the trade promotion boards are working jointly on this insurance plan," he said. On the e-auction plan, he said, the commerce ministry would notify guidelines in two months allowing smaller tea processing units get registered with the tea board to take part in it.

This will help 86,000 small tea growers under the 467 self-help groups already formed, said Bijoy Gopal Chakraborty, president of the confederation of Indian small tea growers' associations. The tea board's initiative is aimed at the collective groups of small growers, he said.

There are around 250,000 small tea growers in Assam, West Bengal, Tamil Nadu and Kerala. The tea board has decided to allow growers' SHGs to set up mini and micro processing units of 500 kg. SHGs will get government incentives after the guidelines are notified.

Chakraborty said the number of such processing units will go up from 70 at present. Sarangi also said the pan-India tea auction, scheduled to begin this month, has been delayed to July due to some technical issues. Commerce secretary Rita Teaotia had announced in Kolkata on May 10 that the pan-India e-auction of tea would be rolled out in June. The manual tea auction was started in Calcutta in 1861.

Source

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## *Ships get relief from piracy related insurance premium at Indian ports – The Hindu – 6th June 2016*

Ships entering or leaving Indian ports are not required to pay a piracy related additional insurance premium now, a move that would help thousands of the vessels. The development has come after seas near the country's western coast were removed from the list of the High Risk Areas (HRA) for piracy. About 22,000 ships, that called on Indian ports between 2010 and 2015, paid an estimated additional war risk premium (AWRP) of about Rs. 8,500 crore.

**No AWRP**

"Ministry of Shipping took up the issue of redrawing of the HRA Line back to 65 Degrees E (from 78 Degrees E) in the International Maritime Organization and as a result the HRA was redrawn at 65 Degrees E," the ministry said in a statement. "Thereby, the ships coming to or leaving Indian ports do not have to pay AWRP now," the statement said.

Earlier, the IMO and members of the Contact Group on Piracy off the Coast of Somalia (CGPCS) had decided to move the longitude marking of the HRA from 65 Degrees to 78 Degrees East, extending the high risk area closer to the Indian coastline. A host of steps taken to combat piracy in the Indian Ocean and the country getting the opportunity to co-chair a global body resulted in redefining the high risk zone, the statement said. At the CGPCS' recent meeting in Mahe, India was chosen to co-chair the Working Group on improving maritime situational awareness in the region through consensus.The CGPCS was set up as a group of affected nations, industry associations and multilateral agencies to take steps for checking piracy in the Indian Ocean.

Source

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## *PMSBY: Non-life players looking at widening coverage this year - The Economic Times – 5th June 2016*

Non-life insurers are bullish about Pradhan Mantri Suraksha Bima Yojana (PMSBY) and have drawn up ambitious plans to bring in more people under the scheme whose claim ratio has shot up to around 100 per cent.

Insurers said the scheme has helped them create awareness about insurance and reach out to more people with a readily available database.

PMSBY is a social security cover which is available at a nominal premium of Rs 12 per person per year and provides a cover of Rs 2,00,000 in case of accidental death or permanent full disability or Rs 1,00,000 in case of partial but permanent disability.

The scheme was unveiled by Prime Minister Narendra Modi in Kolkata on May 9 last year. The largest non-life insurer New India Assurance opened 1.5 crore accounts under the scheme last financial year and is looking at increasing the number of accounts by 20 per cent this fiscal.

"We have opened 1.5 crore accounts under the scheme and collected Rs 18 crore in premium during the year gone-by and the claim ratio was at 100 per cent. Still, it has helped us a lot to create awareness on insurance," New India Assurance Chairman and Managing Director G Srinivasan told PTI.

"During the current fiscal year, we are looking at clocking 20 per cent growth in terms of opening accounts. At the same time, we are also aiming at renewing all the existing accounts," he added. Kolkata-based National Insurance Company has taken a lead in opening the accounts under the scheme.

"We have opened 3.3 crore accounts under the scheme last fiscal year, while the claim ratio was at around 100 per cent," National Insurance Chairman and Managing Director Sanath Kumar said. "This year we are first looking at renewing all the existing accounts apart from adding more under the scheme.

It will help us widen our reach," he said. Private sector non-life insurer ICICI Lombard has opened around 1 crore accounts under the scheme. "We opened around 1 crore accounts under the scheme last fiscal year and we are looking at having a similar number of accounts in the current fiscal too.

"The only thing is that it has to be done through the banks we have partnered with," ICICI Lombard Chief, Underwriting and Claims, Sanjay Datta said, adding the company witnessed 100 per cent claim ratio last year.

According to government estimate, as many as 9.4 crore accounts were opened across the country and 4,000 claims settled so far, with a claim ratio of 100 per cent.

Finance Minister Arun Jaitley will unveil a coffee table book on the scheme by General Insurance (PSU) Association (Gipsa), which comprises all the four state-owned non-life insurers, when he reviews the performance of the scheme in New Delhi on Monday.

The book will display some successful case studies and show how the scheme has benefited the people in need, a finance ministry official said.

Source

## *Over 50K farmers in Gujarat buy crop insurance online - The Hindu Business Line – 3rd June 2016*

Having faced successive droughts, farmers have started taking crop insurance seriously with more than 50,000 of them in Gujarat registering for the new crop insurance cover PMFBY via the State portal.

Under the Pradhan Mantri Fasal Bima Yojana (PMFBY) launched this year, farmers' premium has been kept between 1.5-2 per cent for foodgrains and oilseed crops and up to 5 per cent for horticultural and cotton crops. And there is no cap on the premium.

**State portal**

"Farmers in drought-hit States have taken crop insurance seriously this time. More than 50,000 farmers have so far enrolled for PMFBY for the 2016-17 kharif season in Gujarat via the State portal on crop insurance," a senior Agriculture Ministry official told PTI.

Gujarat is the only State that is enrolling farmers under the scheme strictly through its e-portal at present. In other States, including Uttar Pradesh, farmers are being registered by concerned agencies, including banks, and Primary Agricultural Credit Society (PACS), he said.

"The exact number of farmers registered for the scheme both online and through other ways would be known later. Once the banks upload the details of insured farmers on the Central crop insurance scheme portal, it will be known to all stakeholders," he added.

**Karnataka follows suit**

Taking a cue from Gujarat, the official said, the Karnataka government has also prepared its State portal for PMFBY, which will be launched soon.

Both the portals of Gujarat and Karnataka governments will be integrated with the Central crop insurance portal, which is being upgraded with information down to the village level.

As of now, 11 States – Andhra Pradesh, Telangana, Madhya Pradesh, Uttar Pradesh, Odisha, Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, Uttarakhand and West Bengal – and Union Territory Andaman and Nicobar Islands have notified the PMFBY.

The Agriculture Ministry has empanelled 11 private sector companies and State-owned Agriculture Insurance Company (AIC) to implement the scheme. It is also actively considering to empanel four State-run general insurance companies.

Source

PMFBY replaces the existing two schemes National Agricultural Insurance Scheme and Modified NAIS, which have had some inherent drawbacks.

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## IRDAI Circular

Source

Updated list of TPAs as on 31st May, 2016 is avilable on IRDAI website.

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Source

List of Insurance Marketing Firms as on 31.05.2016 is available on IRDAI website.

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Source

List of corporate agents registered with the authority (AS ON 31.05.2016.) is available on IRDAI website.

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Source

IRDAI issued exposure draft regarding Insurance Regulatory and Development Authority of India (Insurance e-commerce) Regulations, 2016.

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Source

IRDAI issued exposure draft regarding Insurance Regulatory and Development Authority of India (Insurance Web-Aggregator) Regulations, 2016

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Source

Addendum - Guidelines for Corporate Governance for Insurers in India to all Insurers

## Global News

### *South Korea: High-returns insurance products a thing of the past – Asia Insurance Review*

South Korea's life insurers are unlikely to repeat the mistake of providing high guaranteed rates to gain market share that had saddled them with a decades-old negative-spread burden that lingers today, particularly under the current low-interest-rate environment, Fitch Ratings says in a new report.

The Bank of Korea has not adjusted the base interest rate since cutting it to 1.5% in June 2015, from 1.75% in March 2015.

The low-interest-rate environment makes it less likely for insurers to clear their negative-spread burden--which arose in the 1990s when actual investment returns fell below the guaranteed interest rates of 8%-9% they had offered on endowment policies--in the short term, Fitch says.

Persistent low interest rates affect insurers differently, suppressing one insurer's investment yields, reducing another's funding costs, and improving valuation gains for bond investments.

Meanwhile, Korea's rapidly ageing population is supporting continued business growth in the insurance sector, especially for protection type, pension and healthcare-related products. Growth is occurring at a modest pace of 5-10% as the market gets more mature and saturated, says Fitch.

Source

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### *Australia: Insurers vulnerable to dominant superannuation funds – Asia Insurance Review*

The role of superannuation funds as a distribution mechanism for life and income protection insurance continues to grow in the Australian market, according to new analysis by Rainmaker, which says the dominance of a few funds as gatekeepers could leave insurers vulnerable if large clients change providers.
The researcher highlights analysis by the Australian Financial Security Authority (AFSA) which shows more than 70% of the life insurance sum insured is now distributed through superannuation funds, reported Financial Standard, a publishing unit of the Rainmaker Group, a financial services information company.

The proportion has been steadily increasing in recent years and is arguably approaching the threshold at which it will become a strategic challenge to personal life insurance sold through financial advisers.

"As this trend continues there will be increased pressure on the interaction between the drive of superannuation funds to deliver insurance value to members and on the insurer to establish profitable franchises," the Rainmaker report said.

The respective market strength of each party and counter party will thus be an important underpinning to how this interaction plays out.

For insurers, there continues to be relatively high market concentration. Rainmaker's soon-to-be released research shows the current top five group insurers in the market provide insurance to more than 80% of members of super funds.

The research makes the point that while there are a small number of insurers for a large number of members, there are also a smaller number of larger super funds acting as gatekeepers to large membership pools. This is particularly the case for industry funds, with the top five funds representing over half of all members. This means insurers are very vulnerable should a client fund threaten to remove its business.

But the corollary is that the ability of the superannuation fund to drive insurance penetration among its membership will become even more pronounced.

In its analysis, Rainmaker said: "Many superannuation funds are deepening their relationship with their insurance partner in product design and claims management to the point where the super fund is not just the client but in effect almost a co-sponsor. Other funds are meanwhile taking the opportunity in a market of changing premium rates to change their insurance partners.

"But some funds have opted for a different path altogether by establishing their own insurance entity and stepping directly into the value chain notwithstanding the core issues here are how these arrangements will be structured regarding which entity puts up the capital and bears the insurance, compliance and business risk."

Source

### *Indonesia: Insurance industry expected to pick up this year on economic growth – Asia Insurance Review*

Growth in the Indonesian insurance industry is likely to pick up this year, as market sentiment towards the country's economy improves, says Fitch Ratings in a new insurance market report.

Industry premium growth weakened in 2015, especially in the non-life sector. This was mainly due to new tariff regulations and falling customer purchasing power during the economic slowdown. Nonetheless, the underwriting margin of non-life sector remained stable in 2015, supported by benign catastrophe losses. Fitch expects premium growth to pick up in 2016 as sentiment improves, which is in line with Fitch's expectation that Indonesia's annual real GDP growth will pick up to 5.1% in 2016, from 4.8% in the previous year.

Local reinsurers' premiums experienced strong growth in 2015, following a 2014 decree on reinsurance capacity optimisation. Fitch says sufficient capital buffers, prudent risk management and improved reserving techniques are essential for reinsurers to match their rapid growth and remain resilient against any potential catastrophe events in catastrophe-prone Indonesia.

Source

The international rating agency says that the Indonesian insurance industry is an attractive sector for local and foreign investors, due to the large potential untapped market, stable product demand and healthy financial underpinned by favourable underwriting margins. This is likely to drive merger and acquisition activities in the near term.

Back

### *Malaysia: Insurance roadmap to hone insurers' competitiveness – Asia Insurance Review*

Malaysia's phased liberalisation roadmap will positively affect the country's insurance sector by raising insurers' competitiveness over time as economic integration with South-east Asian economies sets in, says Fitch Ratings.

The phased liberalisation will provide motor insurers with greater discretion to adequately price risks in the near-term and controlled deregulation will protect fire insurers' profitability from underwriting volatility caused by competitive pricing.

Fitch expects cautious consumer sentiment and economic headwinds, including currency fluctuations and lower regional trade activity, to slow the sector's premium growth in the near term. Nevertheless, the agency believes long-term growth prospects remain attractive due to favourable demographics and low penetration levels.

The sector also has sufficient capital to buffer against adverse underwriting shocks and financial market volatility. This is largely underpinned by the sound regulatory capital regime and surplus growth over the years.

Source

Merger and acquisition activity is likely to pick up in the medium term, given the regulatory requirement for composite insurers to split their operations and increased market competition as liberalisation changes set in.

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### *Indonesia: Strong growth expected for insurance mart – Asia Insurance Review*

Indonesia continues to be seen as the most attractive market in Southeast Asia, with the majority of respondents in a survey by PwC Indonesia saying that they believed the financial performance of the insurance industry would grow by 15% or so this year, driven by the low market penetration and sheer size of the country.

The survey was conducted from February to May this year on the Indonesian insurance industry. The respondents of the survey were 32 insurance executives from 26 insurance companies in the country.

“Almost half of the respondents are upbeat the insurance industry would book about 20% growth in its financial performance,” PwC Indonesia financial services partner Jusuf Wibisana said.

The expectations that respondents had for 2016 were: 50% expect growth to exceed 20%, and only 16% expected the growth to fall below 10%. The expectation was even higher in the life segment, with 88% of respondents expecting growth to be 15% or greater.

However, the survey also highlights that many companies continue to have a need to develop and strengthen their risk management function and their strategy for addressing a very dynamic change underway with digitalisation and the impact of technology.

Regulation is a hot topic and is seen by the respondents to be a major risk to the industry for the coming two to three years.

Lastly, there is a war for talent, noted as among the top three risks by both life and non-life insurers. With the expectation for the continued growth, the need for strong talent recruitment, training and management will only increase.

Source