



# Insurance Institute of India

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## INSUNEWS

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### • Quote for the Week •

**"We are what we think. All that we are arises with our thoughts.  
With our thoughts, we make the world"**

**Buddha**

### INSIDE THE ISSUE

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#### *Insurance industry sees claims in India rising to decade-high on Chennai floods - Mint - 9th December 2015*

Insurers from Lombard General Insurance Co. to American International Group Inc. (AIG) are bracing for a surge in Indian claims to a 10-year high after unprecedented floods last week ravaged Chennai, the city home to factories of Ford Motor Co. and BMW AG.

Disruption in road, rail and communication networks hindered efforts by the auto makers to resume production after they shut down factories on 2 December. Officials put the death toll at 277 from the deluge since the start of October as a threefold increase in seasonal rainfall brought the metropolis of 9 million to its knees. The Associated Chambers of Commerce and Industry (Assocham) of India estimated losses to businesses at more than Rs. 15,000 crore.

The insurance industry expects Rs.1,000 crore in claims immediately, with most coming from residents who lost property such as motor vehicles, while businesses may claim a bigger share, said Sanjay Datta, chief—Underwriting, Claims and Reinsurance, ICICI Lombard General Insurance Company Ltd. The disaster in Chennai brought back memories of a 2005 cloudburst in Mumbai that caused similar flooding, prompting Rs.3,000 crore of claims, he said.

#### **Picture unclear**

"While a clearer picture would emerge in next few days it could in all probability be much higher" than the current industry estimate, said M. Ravichandran, president of Tata AIG General Insurance Co., who says the filings could be the highest in India since at least 2005. "Claims on damaged motor vehicles and business establishments will form majority of the insurance claims."

Small and medium enterprises, automobile manufactures, utility service providers and information technology companies are among sectors most affected, he said. Insurers received claims for about Rs.500 crore 15 days ago, he said, which was before the floods.

#### **Too early**

Chennai and its surrounding areas are home to many manufacturers, including Hyundai Motor Co., Ashok Leyland Ltd, Renault SA and Daimler AG. Eicher Motors Ltd, the maker of Royal Enfield motorcycles, said the showers severely affected its facilities, offices and staff, disrupting logistics and supply chain. In November, it lost production of about 4,000 bikes, it said.

Insurers and re-insurers will share the burden of the claims payouts, ICICI Lombard's Datta said. Home insurance is very rare in India and the claims on damages to houses and apartments will be low, said TATA AIG's Ravichandran.

It is far too early to give estimates on the losses and claims from the event, Munich Re and Swiss Reinsurance Co. said in separate e-mails.

#### Source

"As all insurers have re-insurance in case of claims above a certain limit, the net hit on them may amount to few billion rupees although the overall pay-out could be in the range of tens of billions," Ravichandran said.

### *Higher insurance FDI cap fails to woo new entrants: Experts - The Economic Times - 8th December 2015*

Increasing foreign direct investment (FDI) limit in the insurance sector to 49 per cent has not yet succeeded in attracting any new insurer into the country although firms already present in the country have been increasing their stakes.

"No new insurance company application is influenced by hike in FDI to 49 per cent from 26 per cent," said TS Vijayan, chairman of the Insurance Regulatory and Development Authority of India (IRDA).

The insurance sector currently covers only about 3 per cent of India's population. To increase its penetration to 6 per cent, the industry would need investments of Rs 50,000-60,000 crore, Vijayan said on Monday.

While life insurance penetration is low at 3.2 per cent general insurance is at 0.7 per cent. Total capital deployed in life insurance sector so far is Rs 35,000 crore of which Rs 8,600 crore is FDI money.

Experts said some insurers would enter the country only if they get management control.

"Management control and ownership is one of the key reasons why free global companies are not willing to come to India," said a partner with one of the consultancy firms.

India increased FDI limit in the sector to 49 per cent in March through an amendment to the Insurance Act. It also has a clause that management control and ownership should stay with Indian residents.

At present, there are 57 insurance companies and 52 joint ventures with foreign insurers.

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### *Government extends deadline for PMJJBY and PMSBY to December 31 - The Economic Times - 8th December 2015*

The government has extended the deadline for enrolment in the nation's two most popular social security schemes up to December 31.

Insurance schemes such as Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) are aimed at bringing the unorganised sector and economically weaker population under risk cover.

Enrolment in both the schemes continue, according to a government website. These two scheme along with Atal Pension Yojana was launched by Prime Minister Narendra Modi on May 9.

About 9.24 crore PMJJBY policies and 2.92 crore PMSBY policies have been sold till December 7.

PMJJBY offers Rs 2 lakh cover at Rs 330 premium every year. Bank account holders in the age 18 to 50 years are eligible to take this facility. The life risk cover will get terminated after 55 years.

PMSBY offers a renewable one year accidental death cum disability cover of Rs 2 lakh at Rs 12 premium every year. The insured will get Rs 1 lakh in case of partial permanent disability.

Multiple bank account holders are eligible to join the schemes through any one of the savings accounts.

The government has not kept any deadline for the pension scheme while offered to contribute up to Rs 1000 per annum for a period of five years, if subscribers join the scheme by the end of this calendar year.

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### *'India needs `60k cr to hit global average in insurance' - The Times of India - 8th December 2015*

The insurance industry will require Rs 50,000-60,000 crore to improve insurance penetration in the country from around 3% of gross domestic product to 6%, the world average, according to the Insurance Regulatory and Development Authority of India (IRDAI). Incidentally, the insurance regulator has said that no new foreign insurer has come to India after liberalization of foreign direct investment (FDI) limit to 49% from 26%.

Meanwhile, in a bid to grow the insurance market, IRDAI will allow the development and sale of extremely simple over-the-counter products that can be sold without counselling through non-agents.

IRDAI chairman T S Vijayan was in Mumbai to launch Registry of Hospitals in Network of Insurance (Rohini) - a database of healthcare providers which would help insurers analyse health claims and check frauds. The database has been built by the Insurance Information Bureau, an arm of the IRDAI. Insurance penetration in India was 3.3% in 2014 as against the world average of 6.2%. "According to our estimates, the capital requirement for increasing the insurance penetration in India to 6% would be around Rs 50,000-60,000 crore. The capital can come from foreign investors or from Indian investors," said Vijayan. According to the IRDAI chairman, no fresh proposal has come from any multinational to set up a new insurance company in India after the government relaxed FDI limits from 26% to 49%. Acknowledging that there was a slowdown in the life insurance business, Vijayan said that the regulator was examining whether it was due to complexity in the product or due to stringent norms on distribution.

"We are looking at allowing simple over-the-counter products that can be sold with minimum requirements," said Vijayan. He said that the products that the regulator had in mind were similar to the protection plans announced by the government for those with bank accounts. However, unlike the Prime Minister's plans for protection, saving and pension, the IRDAI planned to allow schemes which could be sold as individual plans and commissions paid to distributors.

IRDAI has asked non-life insurers to ensure that claims arise out of recent floods in Tamil Nadu, Andhra Pradesh and Puducherry be surveyed within 72 hours and settled within 15 days. In respect of life claims where the insured are facing difficulty in obtaining death certificate, the regulator has said that companies should follow a relaxed procedure, which was recently allowed for victims of the J&K flood.

The regulator has asked insurance companies to connect with state government officials and to publicize the setting up of special camps for claims settlement. Companies have been asked to submit flood claims data on a daily basis.

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### *1 in 10 insurance claims turns out to be a fraud - The Times of India - 4th December 2015*

Insurance claim frauds - which are growing in number and getting more innovative - have put insurers in a dilemma. Companies want to simplify the claims process and wipe out the trust deficit faced by insurers. But this is turning out to be tough when frauds are close to one in ten claims in some retail categories.

"Our estimate is that industry frauds are in the range of 10% of claims, which I feel is a conservative one," said Ritesh Kumar, MD & CEO, HDFC Ergo General Insurance. The choice is between being very careful in accepting proposals and liberal in settlement, or in being liberal in accepting proposals and vigilant while settling. Excess scrutiny in policy issuance makes it difficult to sell in a market with low penetration. But delaying claims worsens the trust deficit among individuals, reflected in the belief that getting claims paid is a challenge.

Simplifying claim settlement is something that most companies are trying to do in order to build a retail portfolio. "If a policyholder who has spent lakhs on an overseas trip claims \$300 for lost baggage, we would accept the claim," said Sanjay Datta, head of underwriting and claims at ICICI Lombard General Insurance. Even state-owned New India Assurance had a few months earlier launched a householder policy that settles claims for breakdown of electronic equipment where all household items would be covered on good faith without the buyer having to declare each individual item or provide proof of ownership.

According to G Srinivasan, chairman, New India Assurance, frauds are expected to be around 10% and the company is trying to address frauds by drawing patterns and through analytics without inconveniencing policyholders. Insurers have also created an electronic database that serves as a blacklist.

The challenge is that fraud patterns are also changing fast. HDFC Ergo has had cases where a personal accident cover was bought a year after the death and the date of death was fudged in the official reports. Kumar also highlights how a convenience provided for claimants is misused by policyholders. "We had allowed policyholders to message us an image of the cheque for electronic transfer instead of sending us the actual cheque. We had fraud where a claim was made through misrepresentation and the money sent to the fraudster by manipulating the account number in the image," he said. "The biggest frauds that we are seeing are in mediclaim. After we cracked down on nursing homes that created non-existing claims, fraudsters are creating forged documents of mainline hospitals," said Kumar.

ICICI Lombard has had motor fraud cases where a theft claim was lodged after the vehicle was sold by the owner to someone out of state.

According to Bhaskar Jyoti Sarma, MD, SBI General, a large chunk of frauds are also in motor insurance. The industry is pinning a lot of hopes on a special investigation team, or SIT, which has been set up as per an Allahabad high court order consequent to a PIL lodged by one of the private insurers, on cases of fraudulent insurance claims. "Recently, IRDAI sent across a letter to all insurers, asking to furnish a list of "false claims" registered under the Motor Vehicles Act and the Workmen's Compensation Act. We will be submitting the data shortly and will extend full cooperation to both the regulator and other insurers towards the same," he said.

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## Insurance Regulation

### *Irda tweaks norms for insurance marketing firms - Business Standard – 10th December 2015*

The Insurance Regulatory and Development Authority of India (Irdai) has said insurance marketing firms can procure products from two insurers each from the life, general and health categories, giving due intimation to the regulator. Insurance marketing firms solicit and procure insurance as well as financial products. These firms employ licensed personnel who are authorised to sell and distribute insurance and other financial products.

The net worth of a insurance marketing firm has to be at least Rs 10 lakh. According to Irdai, insurance marketing firms should take adequate steps for redressal of client grievances within 15 days of a complaint has been made. These firms can't undertake multi-level marketing. Registration of such a firm is valid for three years. In case Irdai suspends or cancels registration, the firm cannot solicit new insurance business.

However, it can continue to service existing customers for six months within which suitable arrangements have to be made. In such cases, it can rope in another insurance marketing firm to operate in that jurisdiction.

An insurance marketing firm will have a financial service executive and an insurance sales person. The former is an individual employed by the firm, holding a valid licence issued by respective financial regulators to market mutual funds, pension products, etc. The latter will have a certificate issued by Irdai to sell insurance products.

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Source

### *IRDA plans to bring 1 lakh hospitals under common network data base - The Pioneer – 9th December 2015*

In a move to bring all useful information on health insurance policies in a single registry, insurance regulator Insurance Regulatory and Development Authority (IRDA) is planning around one lakh hospitals to bring under the common network data base where each and every information such as treatment facility, cost of treatment and cost of claims among others would be easily available for customers.

On Monday, IRDA-promoted Insurance Information Bureau (IIB) launched a portal registry of hospitals in network of insurers (ROHINI) which would be a credible source of information on hospitals that would help enhancing efficiency in the functions of all those involved in the health insurance space.

"At present, 35,000 hospitals are under the network of IIB and IRDA has plans to take it to one lakh hospitals soon. Also, the regulator plans to make it mandatory for every new hospital to come up to join the network the near future," IRDA Chairman TS Vijayan told The Pioneer.

"As the health insurance industry in India is close to Rs20,000 crore, including the Government schemes, the move will help insurance companies, hospitals and all the insured under various health insurance schemes to get all relevant data at one place," he said.

Every hospital across the country connected with insurance firms for cashless payment on registration has been given a unique identification number under the initiative by IRDA so as to make IIB able to monitor the patterns of health insurance claims from all those hospitals.

Therefore, the registry of hospitals under ROHINI is the noble idea in keeping a tab on health insurance claims from various hospitals under the network to study the pattern of claims, cost of claims and cost of treatment.

Source

***Irdai wants relaxed claim norms for flood victims - Financial Chronicle – 7th December 2015***

In the wake of rain ravaging Tamil Nadu, Puducherry and parts of Andhra Pradesh, insurance regulator Irdai has come out with norms on claims for losses due to floods in these areas.

In case of death claims where death certificate is difficult to obtain due to various reasons, the process followed in the case of Jammu & Kashmir floods may be considered, the regulator said.

"It needs to be ensured that all claims are surveyed within 72 hours and claim payments/on account payments are disbursed within 15 days. Adequate number of surveyors may be engaged immediately in the affected districts," the Insurance Regulatory and Development Authority of India (Irdai) said.

The recent flood has caused immense losses to life and property in Tamil Nadu, Puducherry and neighbouring districts of Andhra Pradesh. "There is an urgent need for us to take immediate steps to mitigate the hardships of the affected insured population of these states by ensuring immediate registration and settlement of eligible claims," IRDAI said in a communique marked to all CEOs/CMDs of all general insurance companies and stand-alone health insurers.

Insurers have been asked to nominate a senior officer who would act as a nodal officer for the state, who would be coordinating/expediting the settlement of all claims that are reported in the affected states. Also, the contact particulars of the officer/s may also be conveyed to IRDAI and due publicity has to be given.

Unofficial estimates have put the losses from floods at Rs 500-crore 1,000. In order to gauge the magnitude of the loss, IRDAI said: "All non life insurers (including standalone health insurers) are advised to submit information relating to claims in Tamil Nadu, Andhra Pradesh and Puducherry on daily basis in the link which will be e-mailed to the insurers separately."

In order to expedite and simplify the evaluation process for claimants, Max Life Insurance has simplified death claim requirements. It is accepting any evidence of death/missing from government/designated district officials of the state government or hospital authorities/ municipal record. Companies Bajaj Allianz and TATA AIG have set up desks and helplines.

Source

[Back](#)***Irdai to launch portal for health insurance plans information - Financial Chronicle – 6th December 2015***

With a view to bring all relevant information regarding health insurance policies at one place, Irdai chairman T S Vijayan will launch here tomorrow a portal 'Registry of Hospitals in Network of Insurers' (Rohini).

The portal will be having all the information like treatment facility, cost of treatment and cost of claims among others relating to the 35,000 hospitals which are registered by Irdai-promoted Insurance Information Bureau (IIB).

"It's a unique initiative of Irdai, which going forward will help insurance companies and hospitals and all the insured under various health insurance schemes to get all relevant data at one place," Insurance Regulatory and Development Authority of India (Irdai) member Nilesh Sathe told PTI.

Every hospital across the country connected with insurance companies for cashless payment on registration has been given a unique identification number under the initiative by Irdai so as to make IIB able to monitor the patterns of health insurance claims from all those hospitals.

In fact, the registry of hospitals under Rohini is the final step in monitoring health insurance claims from various hospitals under the network to study the pattern of claims, cost of claims and cost of treatment.

"This is a good initiative for creating a unique identity for health providers in the country so as to understand each provider's unique need separately," ICICI Lombard chief-underwriting, claims and reinsurance Sanjay Datta said.

Source

"It will help insurers understand various aspects of healthcare and various types of healthcare and treatment facility being provided by the 3,000 hospitals that fall under ICICI Lombard's network," he added.

## Life Insurance

### *Term insurance premiums fall on lower re-insurance rates - The Hindu Business Line – 9th December 2015*

Term life insurance premiums have plummeted over the last six years, thanks to increasing life expectancy and fall in reinsurance rates.

Since 2009, term insurance premiums have crashed by as much as 75 per cent as selling has increasingly moved online where prices have gone down by almost 30 per cent, said Yashish Dahiya, CEO of PolicyBazaar.com.

For instance, a Rs. 1-crore cover for a 30-year-old male cost around Rs. 30,000 in 2008, but he would be able to get the same cover today for around Rs. 8,000.

Insurers attribute the increase in longevity (from 62 to 72 years) due to medical advancements as a significant reason for the decline in term insurance premiums. Mortality is one of the key factors used in determining premiums.

“We have seen a 10-15 per cent decline in the premiums rates of online term plans during the last fiscal. Premium rates in the Indian market are now at par with term insurance premiums in countries like Hong Kong and Singapore,” said Sunil Sharma, Appointed Actuary and Chief Risk Officer, Kotak Life Insurance.

The country’s largest insurer Life Insurance Corporation (LIC) has also seen a decline in pure risk premium adjusting for increasing life expectancy, last year. This has also resulted in a fall in reinsurance rates, which are reflected in the latest mortality table as private insurers now have their own experience.

#### **Mortality assumptions**

“In the last decade, the industry was using LIC’s mortality assumptions for private companies. In the last few years, now that private companies are having their own experience, reinsurers have realised that the segment of customers that private companies underwrite is slightly better,” said Srinivasan Parthasarathy, Chief Actuary and Appointed Actuary of HDFC Life.

Insurers are also willing to give much better rates for online term plans as the customer segment is perceived to be more affluent and there is no intermediary involved in the buying process.

Niraj Shah, Director – Marketing, Strategy & Products, PNB Metlife, said that disclosure levels are higher in the online channel as the customer is purchasing the policy according to his/her own need, enabling finer pricing. The persistency rates are also significantly much higher for those who purchase term plans online which reflects in the pricing, said Pradeep Pandey, Chief Marketing Officer at Future Generali Life insurance.

Insurers says that for online term plans persistency is above 90 per cent while for other policies persistency levels are around 65 per cent.

Aalok Bhan, Director, Product Solutions, Max Life Insurance, said that policyholders are now able to get a much higher sum assured at a lower premium. Insurers see younger customers buying insurance for higher sum assured for longer tenures.

Source

The competition among insurers has also resulted in new insurers offering lower rates, Bhan added.

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## General Insurance

### *Irda wants non-life players to develop simple products - Business Standard – 7th December 2015*

Insurance regulator IRDA is working towards introducing simple insurance products which can be sold over-the-counter (OTC), chairman T S Vijayan said. To begin with, the regulator is working with non-life insurers to launch such products which will be followed by life insurers.

“We are working on introducing simple insurance products which can be sold over-the-counter and we have already come out with points-of-sales regulation for non-life products. We are also working with life insurers

to launch such simple products which could happen later," Vijayan told reporters here today.

"We don't want any complex products to be sold through points-of-sales," he added after launching the Registry of Hospitals in Network of Insurance (Rohini).

To a query that only a few foreign partners of insurance companies, which are operational in the country, have announced increasing their stake from currently existing 26 per cent in spite of the new Insurance Act coming into force early this year, Vijayan said, "I hope they are waiting for the right time to increase their stake".

Some overseas insurers which have announced plans to raise stakes in their joint ventures here include the Japanese major Nippon in Reliance Life, the French giant Axa in Bharti Axa Life, Bupa in Max Bupa health Insurance and Sunlife Financial Inc in Birla Sunlife.

Vijayan said the obligatory cess which is charged by state-owned reinsurer GIC Re from insurers will continue even if foreign reinsurers open shops here.

He also said Irda will be coming up with a host of guidelines after its next quarterly board meet, which is slated for the month-end or early January. "We will come up with a number of guidelines after our next quarterly board meet which may take place either by the month-end or by early next month," Vijayan said.

### Source

On the devastating floods in Tamil Nadu, he said, "the regulator is working on providing some kind of procedural exemptions, particularly for the non-life segment for the state".

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### *Insurers want tax sops for home cover buyers - Financial Chronicle – 7th December 2015*

The tax incentive can be provided for an initial few years till people get into the habit of securing their homes.

With natural calamities such as floods striking at alarming frequency, general insurance companies have asked the government to offer tax benefits to buyers of home cover. The General Insurance Council also asked the government to make property insurance mandatory along with the collection property tax. Insurers are also looking forward to inclusion of home insurance in government's suraksha bima yojana.

The General Insurance Council has made a recommendation to the government seeking income tax benefit for home insurance policies, which also covers natural calamities. "The tax incentive in case of health insurance has worked well and this will also be a reason for people to secure their homes.

In many cases, people who buy home insurance are reluctant to go for add-on cover against natural calamities like fire, floods and earthquakes," said R Chandrasekaran, secretary general, General Insurance Council.

The tax incentive can be provided for an initial few years till people get into the habit of securing their homes.

"We have also been requesting the government on making home cover mandatory and the premium be paid along with property tax. Once the insurance companies start paying compensation during calamities this will also increase the awareness about the need for home cover. This can also check diversion of relief funds. But nothing has happened on that front yet," said K G Krishnamoorthy Rao, MD and CEO, Future Generali India Insurance.

Chandrasekharan said the plan was to involve the local bodies-- corporation, municipalities and panchayats-- which can collect the premium along with the property tax. They could either be an aggregator and the insurance companies can directly pay compensation to the taxpayers or the local bodies can secure the houses and use the compensation for reconstruction after the calamity. In such cases the local bodies also should ascertain that the construction standards and regulations are strictly followed by developers.

The insurers also are yet to hear on a proposal in which the National Disaster Management Authority can put in a portion of its disaster relief fund to buy insurance. So, whenever there is a calamity, insurance companies can pay the compensation to the state and the central government or directly to citizens.

The industry now looks forward towards inclusion of home insurance in suraksha Bima yojana. "As part of the universal social security scheme, the government can include home cover in Suraksha Bima Yojana. At present, it covers only personal accident and disability. We have approached the government and are optimistic about an announcement on this in the next Budget," said K Ramachandran, VP, reinsurance, SBI General Insurance.

### Source

### ***Farm Insurance: For speedy crop-loss settlement, IRDA mulls use of satellite technology - The Indian Express – 8th December 2015***

The country's insurance regulator — IRDA — is actively considering the use of satellite remote sensing technology as a mapping tool for agricultural yield estimation and crop losses in a bad monsoon year. The move, aimed at ensuring faster settlement of crop insurance losses, comes at a time when the country has experienced back-to-back monsoon failures — the first since 1986-87.

IRDA has concluded a series of discussions with stakeholders in this regard, officials indicated. A number of research studies and experiments are also being undertaken by institutions associated with agriculture and rural development throughout the country, they said, adding that the use of this technology should mark a move towards speedy assessment and settlement of crop losses.

The just-ended south-west monsoon season had registered an overall rainfall deficit of 14.3 per cent relative to the 'normal' long period average for June-September, making it a deficient monsoon. The monsoon was also deficient by 11.9 per cent in 2014 as well.

At present, about 50 crop insurance products are being marketed by the Agriculture Insurance Company of India Ltd (AICIL) and other general Insurance Companies. One of the main reasons for low levels of insurance penetration in crop insurance is the lack of awareness about the insurance products and the benefits of various policies. AICIL, at present, transacts only in crop insurance business while other policies covering various risks pertaining to farmers such as agriculture implements, personal accident and livestock are extended by other general insurance companies.

There are underlying problems of wholly inadequate crop insurance system, though, that do not adequately cover the risks of farmers. The existing weather and yield-based systems taken into account only the area and not the individual as a unit. As a result, this approach did not seem to represent and address the manner in which crop damage actually occurs. If crop insurance products were to be tailored to cover for a range of risks at the individual farmer level, insurance premium would inevitably increase and might need some amount of subsidy, but it could make crop insurance a more viable proposition and improve its penetration.

In a bid to ensure a balanced penetration of insurance coverage in the country, the insurance regulator had come out with a regulatory framework in the form of IRDA (Obligations of Insurers to Rural or Social Sectors, 2002). Recently, it had also formulated a draft regulation — IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, 2015—in the wake of the amendments brought about to the Insurance Laws (Amendment) Act 2015, which imposed obligations on insurers towards providing insurance cover to the rural and economically weaker section of the population. The regulation mandated that the insurers had to necessarily sell a specified percentage of policies and underwrite specified percentage of gross premium underwritten with respect to life and non-life insurance companies respectively. Stringent penalties were also prescribed under the Act for non-compliance of the above provision.

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### ***Vehicle insurance claims: trickle set to turn into a flood in TN - The Hindu Business Line – 7th December 2015***

Ravikumar can see just the roof of his car. The vehicle has been under water the last several days after Chennai received unprecedented rain. He, like owners of some 30,000 other vehicles, is waiting for the water to recede to move the car to the company's workshop and, more importantly, to make an insurance claim.

Insurance companies' initial estimates are that claims from flood-hit residents of Chennai and other parts of Tamil Nadu will top Rs 3,000 crore. Insurance companies have already received claims for about Rs 2,000 crore for property and vehicles damaged in the first spell of heavy rain in November. Estimates for two-wheelers damaged in the rain are not yet available.

According to automobile industry experts, depending on the level of submersion — complete or stalling after being driven in two/three-feet of water — repairs could cost from Rs 1.5 lakh to Rs Rs 5 lakh. To set right engine damage alone could cost about Rs 1.5 lakh.

According to the industry, manufacturers are working on support schemes. For instance, when over 10,000 Maruti cars were damaged in the Jammu and Kashmir floods last year, the company came up with a discount

scheme for purchase of new cars. According to initial estimates, in Chennai, some 7,000 Maruti cars may have been damaged. Insurance company officials say that claims are beginning to trickle in with the inundation making it difficult for surveyors to go the field for inspection.

A senior United India Insurance official said vehicle damage is yet to be reported because of continued flooding and surveyors not being able to work. The company has received over 800 claims for about Rs 350 crore and more are expected. SS Gopalathnam, Managing Director, Chola MS, said till November about 250 claims had been received for Rs 20 crore, mostly for property, health and vehicles. More claims are expected in December.

The company has brought surveyors from other parts of Tamil Nadu to Chennai to speed up work. MS Sreedhar, Managing Director, Royal Sundaram Alliance Insurance, said the company has received about 325 claims as of November. Claims related to the December flooding are starting to come in.

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### ***Chennai floods to cost insurers over Rs 1,500 cr - The Financial Express - 5th December 2015***

Insurance companies are likely to face claims worth over Rs 1,500 crore in the wake of devastating floods in Tamil Nadu. Industry officials said they expected a large number of these claims from property, automobiles and small and medium enterprises (SME) sectors.

While the earlier deluge in the state, which started on November 8, has already resulted in claims of around Rs 500 crore-600 crore, the recent torrential rains could lead to claims worth over Rs 1,500 crore, insurers point out. The floods in Jammu and Kashmir in September 2014 cost insurers an estimated Rs 2,400 crore in claims. G Srinivasan, chairman and managing director at The New India Assurance, said, "The condition has become worse after the second spell of rainfall. We expect claims to go up significantly. We have received claims for an approximate Rs 100 crore across 400 claims for motor and small and medium enterprises." He further indicated that the overall claims for the industry would be around Rs 2,000 crore as the current spell of rains in Tamil Nadu was far worse than the first spell.

State-run United India Insurance has the biggest exposure to the state and have already received around 400 claims of over Rs 300 crore. "As of now rains have stopped and we have started collecting more information from our regional offices. I think we should get a clear idea about the loss to the industry in the next three to four days. For us, we expect major losses in householders' policies and motor insurance policies as most vehicles are under water," said Milind Kharat, chairman and managing director, United India Insurance.

Easwara Narayanan, COO, Future Generali India Insurance, said they have already received 180 claims worth across Tamil Nadu of over Rs 18 crore. "We expect more claims in the coming days. Unless the water level recedes and the situation improves, we will not be able to comment on the exact figure."

Sasikumar Adidamu, chief technical officer at Bajaj Allianz General Insurance also said that his company's claims stood at around Rs 30 crore. "We are still waiting to get clear picture after the recent rainfall. But it is likely that losses would be coming from automobile insurance, home insurance and losses from commercial property." Senior officials from the industry also added that, in the next few days they will start receiving more claims as situation on Chennai and other parts of Tamil Nadu resumes to normalcy and then only there will be clear picture on losses to the insurance industry.

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## **Reinsurance**

### ***Foreign reinsurers question Irdai proposal - Business Standard - 8th December 2015***

Foreign reinsurers have been thrown into a tizzy with an Insurance Regulatory and Development Authority of India (Irdai) proposal giving preference to Indian reinsurers in treaty reinsurance.

When the guidelines to acquire licence for opening branches were introduced, several foreign reinsurers, including Swiss Re, Munich Re, Hannover Re, SCOR and RGA (Reinsurance Group of America), had shown interest.

After the new proposal, however, many of them are having second thoughts. "The guidelines had been finalised and gazetted. The new norms (proposed) discriminate against foreign reinsurers and violate the

principle of fair trade practices," said a senior official of a global reinsurance company. The foreign reinsurers are also planning to take up the matter with the regulator. The draft released for public commentary by Irdai suggests that an Indian insurer should give preference to a foreign reinsurer. Only if this doesn't work out, can it approach those foreign reinsurers who have the requisite licence. General Insurance Corporation of India (GIC Re) is the sole domestic reinsurer and belongs to the public sector. According to norms, every insurer must reinsure a fixed percentage of total risk with the national reinsurer. For FY16, this rate has been fixed at 5 per cent, though it might change next year.

According to the proposed draft, GIC Re will give Indian reinsurers a preference. Some global reinsurers from Europe, who were planning to enter India, have reportedly decided to wait and watch till the policy landscape gets clear. In a similar move earlier, Irdai had asked foreign life insurance companies to reinsure a percentage of the sum insured with domestic reinsurers. This rate was supposed to be 0-30 per cent. However, this is yet to be implemented. Reinsurance is a Rs 18,000-crore sector in India of which life insurance is little less than one tenth.

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### ***IRDAI's new draft norms bat for GIC in reinsurance - The Times of India - 4th December 2015***

In a move that might cause some global reinsurance companies to rework their plans for opening branches in India, the insurance regulator has done an about-turn on its regulations. In the IRDAI's meeting held on November 24, the government nominee Alok Tandon, joint secretary in the finance ministry, vetoed the Insurance Regulatory and Development Authority of India's (IRDAI's) proposal to keep Indian reinsurer GIC Re on a par with other reinsurers and said that GIC Re needs to be given preference in reinsurance deals. Following this, IRDAI has put out a new draft norms for foreign reinsurers.

This is the third time that the regulations on reinsurance have undergone a change. In the first draft in April this year, the IRDAI had proposed a similar regime giving preference to GIC. However, after foreign reinsurers expressed reservations, a second draft was issued in May whereby insurance companies, while entering into reinsurance deals, would deal with the Indian reinsurer (GIC) or other registered reinsurers or Indian insurance companies.

Earlier, following the draft guidelines that sought to have a level playing field, multinational reinsurers such as Swiss Re, Munich Re and Scor had expressed interest in setting up a branch in India. "Even today, GIC Re's share of the reinsurance business in India is 52% and rest 48% of reinsurance business goes to foreign reinsurers. I do not think the norms provide any extra advantage to GIC Re," said K Sanath Kumar, acting chairman, GIC Re. However, industry sources said that the idea behind branch licences was to bring onshore those reinsurers who are writing business from India sitting in international markets. "If they feel disadvantaged, they may decide not to operate as a branch," said an executive with a non-life company.

"In the authority's meeting held on November 24, 2015, which included nominee of the Government of India, it was viewed that the Indian insurers should not be kept on par with the Indian reinsurers and branch offices of foreign reinsurers as they undertake direct insurance business and do very little reinsurance business. Further, GIC (General Insurance Corporation), being an Indian reinsurer, should enjoy preference in the order of cessions by Indian insurers," the IRDAI said.

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## **Survey & Reports**

### ***Cos feel more can be done on pension planning: study - Financial Chronicle - 9th December 2015***

*The survey highlights that pension should relate to existing salary levels and also must protect against inflation.*

With the current pension landscape in India marked by low coverage and inadequate amounts, a significantly large population (44 per cent) of companies feel more can be done to provide for their employees' retirement planning, according to a survey by KPMG. The Indian pension regime for the employed population has mandatory, quasi-mandatory and voluntary plans. Company representatives from diverse sectors like

consumer markets, energy and natural resources, healthcare, hospitality, retail, private equity, automobile and IT/ITES among others participated in the survey. The survey highlights that pension should relate to existing salary levels and also must protect against inflation post retirement. In terms of tax benefits, it is important to consider higher tax deductions and giving more tax benefits to NPS.

The need for clear communication to all the employers/employees on pension schemes and their benefits is also emphasised. The survey also reveals that 91 per cent of the surveyed companies are contributing PF on full basic salary, while nine per cent contribute on the statutory limit of Rs 15,000. However, only 40 per cent respondents organise awareness sessions/workshops for imparting information on retirement planning. The survey was done for a FICCI-KPMG white paper on the prevalent practices and challenges of employer-related pensions in India. Proactive and policy interventions while a majority of the Indian population is still young are required and can help avert an impending pension crisis, stated the white paper.

“Increasing life expectancy, combined with the weakening joint family system, makes it imperative for India to craft a comprehensive pension system to avoid old-age poverty and social distress. The pension system in India should be able to encourage sufficient lifetime pension contributions to ensure a decent standard of living after retirement. Even small changes in contributions and investment returns can make a big difference in final retirement savings, leveraging the power of compounding,” said Parizad Sirwalla, partner and head, global mobility services, tax, KPMG in India.

“The importance of a robust pensions system cannot be over emphasised in a country like India, where a significant proportion of the population is bereft of any social security scheme,” said A Didar Singh, secretary general, FICCI. The survey showed 22 per cent of the respondent companies have registered for the National Pension System (NPS). Further, of the total companies not registered for NPS, almost half are considering registration for NPS.

Source

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### ***Overseas travel increases but not travel insurance: Survey – Mint – 7th December 2015***

Many young Indians travel overseas in a year and many are aware of travel insurance but very few buy the product, according to a survey by ICICI Lombard General Insurance Ltd. Even though the cost of the trips is almost entirely funded by personal savings, only about 38% buy travel insurance. The 1,049 respondents were in the age group of 25-35 years; salaried, in business or self-employed, and have travelled to an overseas destination by air in the past one year.

Source

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### **IRDAI Circular**

Source

IRDAI uploaded updated list of Microinsurance Product as on 1st July, 2015.

Source

IRDAI issued health product list of 2014-15.

Source

IRDAI initiative to least developed countries (LDCs) for developing/ strengthening their insurance markets.

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### **Global News**

#### ***Japan: Life insurers forecast to increase foreign business in '16 – Asia Insurance Review***

Japanese life insurers are likely to strengthen their insurance business outside Japan in 2016 while accumulating foreign bond holdings to improve their investment yield, Fitch Ratings says in a new report.

The report, entitled "2016 Outlook: Japanese Life Insurance", notes that several Japanese major life insurers have started to acquire sizable life insurance companies in developed markets such as the United States and Australia, following the overseas expansion plans of Dai-ichi Life Insurance. Fitch believes this trend will continue, given the ageing and contracting population in Japan.

Fitch says that the rating outlook for Japanese life insurers has been revised to 'Stable' from 'Negative' to be consistent with the outlook for the Japan sovereign. This reflects the insurers' high concentration of Japanese government bonds (JGBs) in their investment portfolios. The sector outlook remains 'Stable' due to the overall improvement in earnings and sufficient capitalisation.

Japan's life insurers are likely to continue moderately accumulating foreign bonds to seek higher yield, if the very low bond yields in Japan (at around 1% for 20-year JGBs) persist. Fitch expects that currency risks (especially versus US dollar) may increase further, if insurers raise unhedged portions. Although the increasing allocation to foreign bonds will provide broader diversification from the concentration on JGB, currency risks need to be managed effectively given the majority of the life insurance liabilities are still yen-denominated.

Fitch expects the life insurers to maintain their strong earnings level and solid capital adequacy in 2016. The nine major traditional life insurers' core profit was JPY1,194 billion (US\$9.73 billion) in the first half of the financial year ending March 2016, up from JPY1,117 billion a year earlier. The nine insurers' average statutory solvency margin ratio was 923.5% at end-September 2015, compared with 897.7% a year earlier. The view is supported by an improving investment spread owing to accumulated foreign bond investments and the moderately expanding profitable "third sector" (health) insurance product businesses.

Source

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### *Indonesia: Insurance market growth forecast to be steady next year – Asia Insurance Review*

Growth in the insurance sector in Indonesia is expected to stabilise in 2016 as economic growth is likely to recover, according to Fitch Ratings. The international rating agency estimates that Indonesian real GDP growth will improve to 5.3% in 2016 and 5.5% in 2017 from 4.8% in 2015.

The forecast growth would follow the recent wave of reforms introduced by the government to improve business sentiment and strengthen the country's financial fundamentals.

In a report entitled "2016 Outlook: Indonesia Insurance Sector", Fitch said the rating outlook for Indonesia's life and non-life insurance sectors in 2016 is 'Stable', underpinned by steady demand, manageable investment risks among insurers, and adequate buffers against catastrophe losses through reinsurance coverage. The sector outlook is 'Stable', reflecting Fitch's view that the low insurance penetration and growing awareness will continue to support life insurance growth. Generally conservative investment allocation is likely to mitigate the volatility in the insurers' operating results.

Meanwhile, the non-life insurance sector is supported by rising affluence and disposable incomes among the population, economic recovery and protection from reinsurance coverage. Fitch believes that several initiatives taken by the regulator to optimise local reinsurers' capacity could widen the sector's operating scale and raise the level of competitiveness among domestic players.

Nonetheless, managing risk accumulation and enhancing risk management are key to ensure maintenance of healthy underwriting margin among reinsurers. The industry also faces changing regulatory requirements and an increase in competition. The regulator has indicated plans to implement an enhanced version of the current capitalisation framework, while the implementation of the ASEAN Economic Community (AEC) at the end of this year will encourage greater market liberalisation among insurers operating in ASEAN.

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### *China: Motor insurers' margins could be affected by pricing trial – Asia Insurance Review*

Chinese motor insurers' capability to improve their underwriting margin could be hampered by a commercial motor pricing deregulation trial, according to Fitch Ratings in a new report. The international rating agency expects the growth dynamics of the non-life insurance sector in China to weaken in 2016 if the stagnant motor vehicle sales persist.

However, business derived through alternative distribution channels is likely to further expand as large or start-up insurers become more active in marketing their personal line products through telemarketing or internet portals.

In its report, "2016 Outlook: China Non-Life Insurance", Fitch says that it expects the underwriting margin of mid- to small-sized motor insurers to remain weak in 2016 although the trial deregulation of commercial motor insurance pricing is unlikely to lead to a cut-throat price war.

The inclusion of 12 new regions in the deregulation trial could further suppress insurers' capability to sustain or improve their margin in 2016. The trial deregulation could moderately spur market competition although insurers with better pricing sophistication could have larger flexibility to align their commercial motor insurance prices with the risks they underwrite.

Fitch also expects insurers to continue to incur underwriting loss in the compulsory third-party liability (CTPL) motor insurance line, given the tightly controlled pricing mechanism. The combined ratio for CTPL motor insurance line still amounted to 103.5% in 2014.

Fitch anticipates net premiums retained by direct insurers to persistently outpace their internal surplus growth although most insurers improved their capital strength, in terms of net premium leverage through fresh equity contribution over the past two years.

While the new capital regime, China Risk Oriented Solvency System (C-ROSS), is unlikely to pose a strain on non-life insurers' solvency adequacy, Fitch expects the implementation could alter insurers' strategy in managing their investment, underwriting, growth, reinsurance as well as capital allocation.

Fitch's stable sector outlook for the non-life market reflects the international rating agency's expectation that the sector's underwriting margin is unlikely to further deteriorate and insurers' capability to fund business expansion will remain intact, despite slower market growth.

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### *Malaysia: Strong capital to support premium growth next year – Asia Insurance Review*

Malaysia's insurance and takaful sector will remain stable in 2016, underpinned by the industry's solid capitalisation, according to Fitch Ratings in a new report. The sound capitalisation will also support the sector's premium growth and potential underwriting volatility as economic growth decelerates.

In the report entitled "2016 Outlook: Malaysian Insurance Sector", Fitch said that the sector's solid capitalisation is built on the robust regulatory framework and capital practices required by the Malaysian regulator. The series of regulatory reforms implemented in recent years aimed to raise the sector's competitiveness ahead of full liberalisation and economic integration with other Southeast Asian economies. The industry's consolidated risk-based capital ratio was strong at 239% in 1H15, well beyond the regulatory minimum of 130%.

Fitch believes stable domestic demand and low insurance penetration will continue to support the general insurance and takaful sector. This is despite the slower premium growth in 1H15 associated with lower automobile sales and private consumption, as consumers adjust to the Goods and Services Tax implemented in April 2015.

High claims from the compulsory motor class will continue to pressure general insurers' profitability but this will be partly offset by healthy underwriting margins from fire and non-motor classes. The international rating agency believes the deregulation of tariff rates in 2016 to have a mixed impact: motor insurers are likely to benefit from greater flexibility in pricing their risks adequately, but it could trigger competitive pricing among fire insurers and erode bottom-line profitability.

The growth in investment-linked policies is likely to stay strong given the low interest rates, but Fitch expects life insurers to increasingly tap on health-related and retirement products as the population ages and medical costs rise.

Fitch also sees M&A activity in the sector as likely to pick up following a quiet 2015. This will be driven by the regulatory requirement for composites to split their life and non-life operations within five years from 2013. There are currently eight takaful and four insurance composites that have yet to separate their operations.

Source

### *China: Life insurers face higher asset risks on bigger investment exposures – Asia Insurance Review*

Chinese life insurers are taking on higher asset risks due to greater equity exposures and surging alternative investments such as debt investment plans, trust schemes and wealth management products, according to Fitch Ratings.

In a report entitled "2016 Outlook: China Life Insurers", the international rating agency said that increased alternative investments make Chinese life insurers' credit profiles more vulnerable to an economic downturn as these types of investments are generally less liquid than straight bonds, and are focused on the infrastructure and real estate sectors.

Alternative investments accounted for about 5%-17% of surveyed insurers' assets as of end-1H15. Higher equity exposures also indicate greater vulnerability of their capitalisation to unfavourable stock market movements. However, the impact of China's stock market correction in 2H15 should be manageable given the insurers' stronger solvency positions following the stock market's rally since mid-2014. Flexibility to reduce policyholders' dividends can also mitigate the impact of poor investment yields, said Fitch.

Meanwhile, the more granular capital regime under the new China Risk Oriented Solvency System (to be implemented next year) is spurring Chinese life insurers to issue more equity-like hybrid securities. China Life Insurance issued the first Core Tier II instruments under the new regime in June 2015. Subordinated debts remain the primary supplementary capital; the major life insurers' financial leverage stayed at 19%-28% at end-2014.

Fitch expects Chinese life insurers to price their policies more aggressively following the regulator's removal of the 2.5% cap on guaranteed returns for policyholders. However, the cap (3% for participating, 3.5% for universal life and 3.5%-4.025% for non-participating products) on the discount rate used to determine statutory insurance reserves will prevent excessive competition. The 2.5% cap on guaranteed returns on insurance policies was fully removed in October 2015.

Fitch is maintaining its rating and sector outlooks at 'Stable' for the Chinese life insurance sector as it believes that the rated insurers' resilient market positions, and adequate capitalisation and external funding capabilities will keep supporting their credit strength. However, continued earnings volatility and fierce competition among homogenous products are key rating constraints.

#### Source

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