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INSIDE THIS ISSUE:

IRDA Regulations

New norms for traditional life insurance products soon: IRDA chief - The Hindu Business Line

The insurance regulator has formed a joint working group with Life Insurance Council on norms for traditional products.

"The group has already commenced work and had two rounds of discussions. It will give its recommendations soon," Mr J. Hari Narayan, Chairman, Insurance Regulatory and Development Authority, told Business Line here on Thursday.

The Authority is in the process of framing a new set of guidelines for traditional life insurance products. "This can be expected very soon," Mr Hari Narayan said.

The regulator sees lack of clarity in certain class of insurance products. "Post Budget this year, some products have lesser or no IT benefits. This has to be clearly spelt out," the IRDA chief said.

Further, the dividing line between the participatory products (those with fixed returns) and non-participatory products was also not clear.

APPROVALS
The IRDA has also withheld approvals to some products filed by insurers for introducing in the market.

"They are not sound products and may adversely impact policyholders' interests. We wrote about the same to the companies," he said.

In last one/two months, the IRDA had approved 100 products and rejected or withheld permissions to over 30, Mr Hari Narayan said.

There has been a view in the industry that there has been 'undue' delay in clearing product filings.

HEALTH PLANS
On the recently released draft guidelines for health insurance policies, Mr Hari Narayan said the Ministry of Health had sought more time to send its feedback on the draft.

"But I don't want to give much time. The feedback from all stakeholders will be sent to advisory council before finalisation," he said. The final guidelines could be expected in about two months from now, he added.

The draft guidelines propose to make it mandatory for insurers to settle claims within 10 days of receipt of documents and non-denial of health insurance to anybody who is under 65 years of age, among others.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/article3658259.ece

Insurance Industry

Malpractices in insurance tops consumer complaints list - Hindustan Times

The fact that some life insurers or their intermediaries indulge in unfair practices and resort to mis-selling of products is known. But what is not known is that consumer complaints pertaining to such practices constitute the largest number and far outnumber grievances on delays in claim settlement and unjust repudiation of claims!

An analysis of the total number of consumer complaints received against life insurers (by the industry as well as the regulator) during 2011-2012, shows that the largest percentage (32 per cent) of complaints pertain to 'unfair business practices at the point of sale'. Issues regarding claim settlement, on the other hand, constitute 10 per cent of the total complaints.

The Insurance Regulatory and Development Authority (IRDA), which has dissected the complaints, have further classified 'unfair business practices' into different sub-groups, so as to scrutinise them further.

Accordingly, 34,799 complaints, constituting the largest sub-group, pertain to 'malpractices' perpetrated by the insurers. Another 18,675 complaints come under the heading of 'products differing from what were requested or disclosed'. As many as 9,848 complaints refer to 'tampering, corrections, forgery of proposal or related papers'.

The categorisation gives a clear picture of the unethical practices that insurers are resorting to, in order to sell their products.

There are complaints about single premium policy issued as annual premium policy (8,810 complaints), 'free-look' refund not paid (6,243), misappropriation of premiums (5,369), proposed insurance not in the interest of the consumer or the proposer, term of the policy altered without consent, illegitimate inducements offered, intermediary not providing material information about the cover, surrender value projected being different from the actual, misleading information on premium paying period. Well, the list goes on, adding up to 10,0770 complaints of unfair practices, out of a total of 30,9613 consumer complaints received during 2011-2012.

There is also a huge consumer discontent about the way insurers process the proposals because 27 per cent of the total number of complaints are about that. Another 20 per cent of complaints pertain to policy servicing, while 4 percent relate to Unit-linked Insurance Policy.

So what happens to these complaints? As per the statistics compiled by the IRDA, 30,8331 complaints have been 'attended to'. Out of this, 73 per cent of the complaints have been decided in favour of the consumers or the insured, while the rest went against them.

Consumer complaints registered during 2011-12 constitute 0.64 per cent of the total number of life policies. I must also mention that the largest number of complaints was received from Delhi, followed by West Bengal, Haryana and Jharkhand.

The data not only helps IRDA tackle recalcitrant insurers, but also come up with new guidelines and regulations where necessary to protect the interests of consumers. Its recent exposure draft on 'standard proposal form for life insurance', for example, is meant to prevent the sale of unsuitable products to consumers.

Source –
http://www.hindustantimes.com/News-Feed/ColumnsOthers/Malpractices-in-insurance-tops-consumer-complaints-list/Article1-893392.aspx

First-year premium of life insurers up 6.4% in June quarter - The Hindu Business Line

The first-year premium of life insurers has increased 6.4 per cent at Rs 19,451 crore in the first quarter ended June 30, compared with Rs 18, 283 crore in the year-ago period. This should cheer up the life insurance companies as this was the first quarter which registered good growth after September 2010 when the new regulations for unit-linked polices were introduced by the regulator.

The growth was led by the state insurer Life Insurance Corporation of India, which posted 8.3 per cent increase in premium at Rs 14,451 crore (Rs 13,341 crore).

The growth in the first year-premium for private insurers was, however, only 1.2 per cent at Rs 5,000 crore (Rs 4,941 crore), according to data released by the Insurance Regulatory and Development Authority.

NON-LIFE
The gross premium underwritten by general insurance companies during April – June increased by 17. 9 per cent at Rs 16,586 crore compared with Rs 14,063 crore in the corresponding period last year.

Here too, the public sector players out-paced their private counterparts by posting a growth of over 19 per cent with Rs 9,581 crore premium underwritten.

The private non-life insurer underwrote a gross premium of Rs 7,005 crore, marking 16.3 per cent growth over Rs 6,020 crore in the year-ago period.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/article3682809.ece

Health Insurance

Co-pay terms eased for group health insurance policies - The Economic Times

To make group health insurance viable for public sector insurance companies, the government has relaxed the co-payment terms for group health insurance policies and imposed a cap of 5% on acquisition cost.

In a letter to the four state-run companies, the ministry has said that acquisition cost should be reduced to 5% on group health segment, irrespective of the claim ratio.

The government had directed the companies to introduce co-payment with group health policies to reduce claims burden. In an earlier letter, the finance ministry had asked companies to compulsorily have 20% co-payment with all group health policies.

"This is a sensible change since a sudden inclusion of mandatory 20% co-pay would not have gone down well with employees," said a senior insurance executive. The four companies - New India Assurance, National India, United India Insurance and Oriental India Insurance - had made a representation to the government to relax some of the earlier norms.

Source –
http://articles.economictimes.indiatimes.com/2012-07-24/news/32827892_1_oriental-india-insurance-policies-claim-ratio

Irda widens health insurance net – Business Standards

In the draft guidelines on health insurance announced by Insurance Regulatory and Development Authority of India (Irda) in May, the definition of health insurance was widened. According to the draft norms, travel, personal accident and critical illness covers would fall under the health insurance segment.

"Health insurance business means the effecting of insurance contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, travel health insurance and personal accident cover," said the guidelines issued by Irda. Presently, personal accident and critical illness covers come under miscellaneous business.

This may require the finance ministry to alter the definition of health insurance under the Health Insurance Act, as it does not include travel, personal accident and critical illness under health insurance. "The hitch: Major health insurance norms like portability and lifetime guaranteed renewability may be applicable to these covers also, which may be very difficult for travel insurance as it is a short-term cover with a maximum policy term of six months," says a health insurance head of a general insurance company.

While personal accident and critical illness covers insure health-related expenditures, an international travel cover is largely health insurance as it is a mix of medical and travel-related covers. For example, consider a $5 lakh cover with Tata AIG's Travel Guard that insures you for accident and sickness medical expense reimbursement. This comprises accidental death and dismemberment (common carrier) for $5,000, accidental death and dismemberment for $25,000 (24 hours), sickness dental relief ($500) along with emergency medical evaluation. Here travel or baggage related covers (baggage, passport, trip delay) are covered for maximum $1,000.

Also, the insurance regulator wants "travel medical policies may be offered either as a stand-alone product or as an add-on cover to existing health policy as and when an existing policyholder travels." Presently, travel covers are only stand-alone covers. Personal accident and critical illness indemnity covers are also available only as stand-alone covers, while benefit covers (issued by life insurers) can be bought as an add-on on term plans.

At the same time, the regulator has disallowed assigning policies to anyone else. "No assignment of health insurance policies shall be allowed irrespective of whether they are indemnity or benefit based," said the draft guidelines. This means you may not be able link any of the general insurance policies to loan.

Many general insurers allow linking personal accident or critical illness cover under the credit shield business, that is link it to home loan. Here, in case of you lose your income (due to accident and disability or any terminal disease) the policy proceed takes care of the loan repayment.

"The regulator is discouraging the credit shield business as these covers are short-term ones and may lead to huge payouts for insurance companies," said another health insurance head.

Source –
http://www.business-standard.com/india/news/irda-widens-health-insurance-net/481346/

Survey & Reports

Pension market to be Rs 20 lakh cr by '15: Assocham – The Hindu Business Line

The pension market in India is likely to grow to Rs 20 lakh crore by 2015 due to expansion in the organised sector workforce, a study has said.

"As more and more working people join the organised sector, India's pension fund (PF) market is set to grow at a rapid pace to reach about Rs 20 lakh crore by 2015 from the present level of about Rs 15.4 lakh crore," industry body Assocham said in a study.

Low pension coverage and large workforce in the unorganised sector also provides massive opportunities for private sector and foreign players to enter the pension market in India, Assocham said in its study 'Financial Markets: Time for Next Generation Reforms' Over 80 per cent of the working people are in the unorganised sector without regular salary and benefits.

The PF market is growing at a compounded annual growth rate (CAGR) of about 10 per cent, but there is enormous potential as more than 30 crore working people do not have formal pension benefits.

Need for social security net for growing number of senior citizens and expanding workforce will drive the growth further and only about 12 per cent of the working population is covered by retirement benefit scheme.

Among others, savings pattern, growing life expectancy, growing desire for better life standard post retirement, government steps in pension reforms and new pension schemes favour the growth potential.

Also, there is a need to divert greater amount of pension funds into infrastructure sector as banks are constrained to finance such projects due to asset-liability mis-match as funds are required for over a period of 15 years, while deposits are of shorter maturity.

"The government alone cannot invest huge amounts of money required to shore up the physical infrastructure...substantial portion of funds for this should come from long-term source of pension funds," said Mr D S Rawat, Secretary General, Assocham.

He said, "there may be a gap of about 30 per cent in infrastructure funding requirement, targeted at Rs 41 lakh

crore in the 12th plan (2012-17), we need to tap the pension and insurance funds to bridge this gap".

According to the study, there is a huge scope for foreign direct investment (FDI) in pension market because slowdown in the economy has affected corporate performance.

It said opening up of FDI in pension funds will help India attract slightly more than one per cent of total pension funds held by pension fund companies worldwide.

"...India would be able to raise the share of pension fun assets to GDP from the current level of five per cent to about 17 per cent by 2017 which would result in assets worth $165.85 billion," it said.

FDI in pension funds would further increase the volume of assets that can be invested into infrastructure and help in realising the infrastructure needs of India, the study said.

The long-term investors, such as pension and insurance funds, have had a limited presence in Indian market due to regulatory restrictions, so Assocham is pitching for reforms in the sector, it said.

Pension products account for over 30 per cent of the total insurance market. The prominent players in the industry, include Life Insurance Corporation of India (LIC), SBI Life, ICICI Prudential, HDFC Standard Life and TATA AIG Life.

Source –
http://www.thehindubusinessline.com/industry-and-economy/article3669512.ece

Rising medical costs in India make employers rethink healthcare planning: Towers Watson Survey – The Economics Times

Health care costs in India have risen dramatically over the last decade. According to Towers Watson research (based on data from leading global insurance companies), India witnessed 22% growth in health care costs in 2006. It dipped to 12% in 2009, and is expected to rise again to 13% in 2012.

While employers have traditionally focused on access to care, this steep increase in health care costs, together with the threat of growing lifestyle risks, is compelling them to be more proactive when it comes to employee health and well-being.

The concept of holistic health management is relatively new to India. Towers Watson's 2012 India Health and Productivity survey finds that although companies are gradually embracing health and productivity (H&P) strategies, there is a long way to go.

A majority of respondents said that H&P improvement is essential to their organisation's health strategy, and 73% expect to increase or significantly increase H&P programme support over the next two years. However, 40% indicated that their organisation had not adopted any comprehensive wellness measures yet, and another 39% said they had made a start on wellness measures less than three years ago.

Anuradha Sriram, Benefits Director, Towers Watson India, said, "India's health care system has traditionally targeted short-term acute health problems rather than focus on curbing the root causes -such as lifestyle risks - of chronic disease.

Attracting talent in a fast-paced economy has been a higher priority than improving the productivity of the existing workforce. However, change is imminent and we're already seeing employers place greater emphasis and urgency around employee health and productivity strategies".

Onsite care is particularly prevalent in India, with 60% of companies indicating they either have some form of onsite care, or plan to by the end of 2012. The most common programmes currently offered are biometric screenings/medical check-ups, pregnancy care, gym facilities and employee assistance programmes (EAPs).

Programmes relating to chronic conditions and case management are the least popular, even though chronic diseases such as hypertension and diabetes affect a large proportion of the population.

Also, only 39% of employers currently implement health risk appraisals (HRAs) - this is particularly worrisome given that, compared with global rates, health risk factors relating to lifestyle are high for the Indian population as a whole.

Contrary to general belief, the survey finds no real differences in H&P programmes offered by India-based subsidiaries of multinationals and local companies. Only small differences exist in programmes such as smoking cessation programmes and gym facilities, which are more likely to be offered by multinationals headquartered in the west.

Source –
http://articles.economictimes.indiatimes.com/2012-07-24/news/32828250_1_health-care-health-risk-india-health

IRDA Circulars

The IRDA has issued Circular Ref: IRDA/ F&I/NFTN/CIR/158/07/2012 dated 24th July, 2012, in which it has laid down the framework for life insurance companies to raise capital through public issue.

Source -
http://www.irda.gov.in/ADMINCMS/cms/Circulars_Layout.aspx?page=PageNo1744

Global News

China

Insurers can outsource management of investments

For the first time, China's insurance regulator has announced that it will permit insurers to outsource management of their investments to securities brokerages and fund management companies (FMCs), according to a Reuters report.

Under the new rules, which take effect immediately, insurers can use brokerages and FMCs to manage their bank deposits and invest in equities, bonds and mutual funds on their behalf. The new rules were published on the CIRC website. Previously, insurers were required to manage their investments directly or through asset management companies they owned.

Most large insurers do not outsource their investment activities but maintain internal asset management units, occasionally outsourcing a small portion of their assets. China's insurance market is dominated by large insurers but also has numerous smaller players, says Hong Kong-based Credit Suisse Asian insurance analyst Mr Arjan van Veen. He observes the new policy may be intended to solve economy-of-scale problems that small insurers face and ameliorate their lack of investment experience.

The qualification for management of insurers' assets is that FMCs and brokerages must each have at least CNY10 billion (US$1.57 billion) in outstanding assets under management. Other unconventional types of asset management companies must have at least a paid-in capital of CNY100 million in addition to meeting the CNY10 billion minimum.
Chinese insurers have struggled with low investment returns and asset depreciation. China Life, the world's biggest insurer by market value, in April posted its sixth consecutive decline in quarterly profit. The world's second biggest insurer, Ping An, saw its 2011 investment yields fall to 4% from 4.9%. Regulators are moving to improve returns. Last week, CIRC allowed Chinese insurers to invest in hybrid and convertible bonds and raised the ceiling on insurers' investment in unsecured bonds to 50% of total assets from 20% previously.

Source –
http://www.asiainsurancereview.com/pages/e-weekly-archive.asp

UK

FSCS paid out £400m for Independent Insurance claims

The Financial Services Compensation Scheme (FSCS) has paid out around £404m for claims made against Independent Insurance since 2001, according to an FSA document.

The document, FSCS funding model review, also said that £500m of Independent's assets had been realized for its creditors since it went bust in 2001.

Independent is also set to enter a scheme of arrangement later this year.

FSCS payments against Independent peaked in 2003, with around £90m paid out in that year alone.

Source –
http://www.insurancetimes.co.uk/fscs-paid-out-400m-for-independent-insurance-claims/1397808.article