



Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

“Happiness is not something ready made. It comes from your own actions.”

- Dalai Lama XIV

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Insurance Industry

Cover drive! Rs 2-lakh insurance cover for 3 years for Jan Dhan account holders on cards – The Economic Times – 20th January, 2017

The government is considering an umbrella insurance scheme under which all Pradhan Mantri Jan Dhan Yojana (PMJDY) account holders will be offered free Rs 2-lakh insurance cover for three years amid a broader push to create a robust social security net for the poor.

There are about 27 crore account holders under the PMJDY fiscal inclusion scheme. Of these, 16 crore have been seeded with Aadhaar numbers, ensuring that welfare payments reach their intended beneficiaries.

If the scheme provides both accident and life insurance, the benefit could cost the government more than Rs 9,000 crore, it's been estimated. "There are various proposals that are being considered," said a government official aware of deliberations. "One of them is to provide the insurance cover and the government will bear the premium cost for three years."

The government launched three social security programmes in 2014 — the Pradhan Mantri Suraksha Bima Yojana (PMSBY), the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and the Atal Pension Yojana (APY) — to bring the poor into the fold of formal financial services. According to finance ministry data, 3.06 crore people have been enrolled under PMJJBY and 9.72 crore under PMSBY. Insurance penetration — the proportion of premiums to GDP — is low; it was 3.44% in 2015. The life insurance cover under PMJJBY is available for an upfront premium payment of Rs 330.

Accidental insurance under (PMSBY) costs Rs 12 annually and covers accidental death and disability.

In both cases, the policyholder is eligible for a benefit of Rs 2 lakh. "The government can bear the premium cost for both life and accidental insurance scheme. The general insurance scheme can be immediately offered to all Jan Dhan account holders," said the official cited above.

The other option is that the scheme is structured along the lines of APY, with the government cocontributing 50% of the total premium or Rs 1,000 per year, whichever is lower, to each eligible subscriber for a period of five years till 2019-20.

Source

"Banks have already been directed to educate Jan Dhan account holders about the existing social schemes," said the official, adding that since some money has come into these accounts after demonetisation, holders can be persuaded to buy basic insurance cover. So far, 44,720 claims have been registered under PMJJBY, of which 40,375 have been paid out. Of the 8,821 claims under PMSBY, 5,878 have been paid.

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Insurance: On the threshold of growth – Business Line – 20th January, 2017

The insurance industry saw some long-awaited beginnings towards consolidation during the current fiscal. With 24 life insurance companies and 24 general insurance companies, apart from five stand-alone health insurers in the fray, the marketplace does look a bit crowded.

Ever since the industry opened up at the turn of this century, new players have come in droves at intervals of every few years. The prospect of selling insurance products to a billion Indians seemed an alluring prospect to many

companies who had begun to reach saturation in their developed markets. A number of joint ventures were formed and every top player in the world has a presence in the country now.

Room for everyone

The standard line of those coming in has been that there is room for everyone and they are here to serve an 'under-serviced' market. The reality, however, was a fragmentation of capacity and intense competition among these players – with its negative side-effects of undercutting of rates and uneconomical business volumes in a number of industry segments.

While break-even was generally mentioned as about five years from inception, the period began to increase gradually as they were buffeted by a number of challenges and risks – regulatory and otherwise. A few companies have broken even during the past three years and the first listing on the bourses has also happened.

Yet, it must be said that the domestic growth environment did not fructify to the expected extent. Regulatory changes in rapid succession unsettled a number of players, notwithstanding the fact that the changes were broadly customer friendly and in their interests.

Foreign partners wary

But with existing business models proving inadequate, promoters have become restive – particularly foreign partners who came to the country with rose-tinted glasses.

Insurance industry is a capital-intensive industry and definitely not for those with shallow pockets. And now, as the global growth has remained lukewarm in the aftermath of the 2008 crisis, it has made it more difficult for many foreign partners to continue pumping in money without being able to explain why they are not seeing the projected returns.

M&A activity

Mergers and acquisitions (M&A) activity tend to happen in such environments. Players seek to gain scale and remove weaker competitors who lack the financial muscle or take them over in their search for new markets and for gaining synergy and efficiency.

Source

Two companies, L&T General Insurance, which merged into HDFC Ergo General Insurance, and Max Life, which merged into HDFC Life, have begun the process this fiscal. This is a trend that should pick up – although the numbers of mergers between various players will depend on how soon promoters make up their mind on what their core interests are and whether they are willing to grab the price available.

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Life Insurance

Life insurance: A dependable investment choice – The Tribune – 23rd January, 2017

India continues to show great promise. The consistent GDP growth of over 7% comes with obvious positives, including improved spending capacity and more flexibility to save and invest. Spending decisions are usually impulsive and taken easily.

Savings and investment decisions on the other hand require a lot more thought and, eventually, a bit of nudging. To help the ones that are currently "fence-sitters", I have summarised the rationale for you to invest in a life insurance product in the following simple ways:

Asset allocation critical

Fine-tuning your portfolio's asset mix to best mirror your needs and priorities is a dynamic process. It is this asset mix which plays a decisive role in your portfolio's overall risk and return. Whichever way you look at it, having a long-term savings product as part of your portfolio is an absolute must. Given its investment pattern, product structure and tax advantage, life insurance is arguably the best long-term (10 years and beyond) investment available in India. It is for this reason that most financial experts recommend that 10-20% of your investments should be in long-term life insurance policies.

Income-replacement tool

The needs require to be fulfilled — with or without you. When one dies, needs such as children's education, their marriage, spouse's health upkeep, etc. remain alive. While nothing in the world can make up for the emotional loss of losing someone close, a life insurance product can make the financial transition smoother.

In other words, a life insurance plan works beautifully as an income-replacement tool and consequently, will ensure the fulfillment of needs. If you earn Rs 10 lakh per annum and the current interest rate is 7%, you should, as a thumb rule, have a life insurance of Rs 1.43 crore.

Planning a legacy

One of the most understated benefits of a life insurance policy is legacy planning. It is one instrument that helps the transition of wealth from one generation to another seamlessly and without ambiguity. The nominees of a life insurance policy will get the policy proceeds in a pre-determined ratio and the legacy gets transferred effectively and efficiently.

Source

While a lot of people will cite a lot of reasons why investment in a life insurance policy is important, the above three reasons are overriding and all-encompassing. In summary, a life insurance policy may be loved by some, may be hated by some, but it definitely cannot be ignored by anyone.

[Back](#)**General Insurance****Listing of public sector insurers will alter market dynamics, say industry players – Business Line – 20th January, 2017**

Listing of general insurers on the bourses is expected to impact the pricing of general insurance products, according to experts.

A Cabinet Committee on Economic Affairs (CCEA) gave its nod for listing of five general insurance companies a couple of days ago to reduce the Centre's shareholding to 75 per cent.

This is expected to alter the market dynamics in the highly-competitive non-life insurance segment.

"We believe that listing of insurance companies in the near future will force the industry to bring in underwriting discipline and will ensure that companies make money from their core business," Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance, told BusinessLine.

The decision comes at a time when there is lot of pressure on the 28 general insurers in the market. The direct premium income of non-life insurers registered growth of 13.81 per cent during 2015-16 at Rs. 96,379 crore.

Since the introduction of de-tariffication in 2007, which allowed insurers to fix their own premium rates for most products, they witnessed a decline in the larger volume group business.

Listing will also enable insurers to focus more on creating new capabilities, stepping up innovations digitally, and on claims settlements rather than compete on the basis of just pricing, Singhel added. According to Pushan Mahapatra, MD & CEO, SBI General Insurance, the pricing patterns will change. "The insurers could also look at risk-based pricing and rationalising the risk they take on their books," he said.

Some amount of hardening of rates or correction in prices in fire and group medi-claim (GMC) would be good for the industry overall, he added.

Private players

This could also trigger some traction on listing of private players. "The environment is conducive," Mahapatra said. Last year, Insurance Regulatory and Development Authority of India (IRDAI) had brought out a discussion paper proposing listing of insurers who had completed 10 years in the market.

"However, we feel provisions such as listing should be left to the Boards of the individual companies to decide on what would be best for the company's growth at its given life-cycle stage," he added.

Source

From a customer's point of view, there could be a long-term positive impact. The listing could result in public sector units investing in technologically-advanced and new-age distribution channels.

The capital infused into the industry through listing will lead to better visibility and help insurers increase their physical spread in terms of opening new branches in tier-II and tier-III cities.

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Reinsurance

Lloyd's to open branch office in India before April – Business Lines – 20th January, 2017

Lloyd's of London -- the best known name in insurance world -- said on Thursday it will open its reinsurance branch in India in time for the April major reinsurance renewals.

The Insurance Regulatory and Development Authority (IRDA) had in November last year given its approval for Lloyd's application to provide onshore reinsurance services in India.

Lloyd's latest announcement of its intent to open a branch office in India before April follows final regulatory (R3) approval from IRDA. The branch office in India will be located at Mumbai.

Lloyd's Chairman John Nelson said: "This is a watershed moment in Lloyd's international strategy. We have now cemented our access to the world's largest, fast-growth economies, those most in need of the specialist insurance to protect their expanding asset base.

"Lloyd's will bring expertise and specialist capacity to India's insurance market and work in partnership with local insurance businesses to develop innovative solutions that meet the unique needs of the growing economy."

Lloyd's will help to share and develop expertise across the industry to position India as an international centre for insurance and reinsurance. A strong and diverse reinsurance market will de-risk the economy and enable its entrepreneurs and businesses to take risks and thrive, he added.

Source

"A local presence in India will bring Lloyd's closer to clients and risks enhancing understanding and the ability to develop new solutions for the needs of the Indian market with a particular focus on agriculture, infrastructure and disaster management," Nelson said.

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Swiss Re gets IRDAI approval – The Indian Express – 24th January, 2017

Reinsurance major Swiss Re has received approval from the Insurance Regulatory and Development Authority of India (IRDAI) to open a branch in Mumbai.

With the composite branch licence, Swiss Re will be able to operate in India and offer both non-life and life and health reinsurance solutions directly to clients and brokers in the country, the company said in a release here.

"This is a significant milestone for us. As a reinsurer, we have served Indian insurers for over 87 years. Our new India branch, together with Swiss Re Global Business Solutions centred in Bengaluru, represents our commitment and investment in India's long-term future, and our ambition to be part of this dynamic high growth market," said Swiss Re chief executive officer Reinsurance, Asia, Jayne Plunkett.

Swiss Re is among the first five foreign companies to obtain a licence to sell reinsurance in India. Swiss Re's newly licensed entity, Swiss Reinsurance Company, India Branch, will begin its operation from February 1. "We will continue to be actively involved in supporting the development of the Indian insurance market and making India's society more resilient. Our clients and partners will benefit from a combination of innovative, customised risk transfer and capital management solutions, as well as our knowledge transfer and risk services support and delivery," Jayne added.

Kalpna Sampat, currently managing director of Swiss Re Services India, will head the Swiss Re India branch as its chief executive officer (CEO). "India is a high growth market for us and we are committed to the healthy and sustainable growth of the insurance market here. With Swiss Re's global experience, strong financial ratings, large net capacity, deep insight and proven underwriting knowledge, we have a strong value proposition for India and will generate significant value to our clients and partners in the market," Sampat said.

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Health Insurance

How to Optimise Your Medical Cover – The Economic Times – 25th January, 2017

Choose medical insurance according to your needs, not to avail tax benefits, writes Narendra Nathan

Indians are known to leave things for the last minute, and tax planning is no exception.

As the end of the tax saving season nears, there is a mad rush to buy whatever instrument offers tax deduction. Medical insurance is one such product. The premium paid for health insurance, up to ₹25,000, is allowed as special deduction under Section 80D (₹30,000 for senior citizen), and can help save a significant amount of tax. For instance, a senior citizen in the 30% tax bracket, who spends ₹30,000 on medical cover, can save ₹9,027 in taxes (see table).

However, you need to consider whether you are buying health insurance for the cover you need, or only for tax savings. If it's the latter, it might not be a good idea. This is because health insurance premium is a 'spending' and should not be treated as an investment.

The first question to answer in this regard is whether you need medical cover at all. Experts believe that basic medical cover is necessary even for people who have a substantial contingency fund stashed away. "When medical insurance is available at reasonable cost, there is no need for you to dent your contingency fund for this," says Deepak Yohannan, CEO, My Insurance Club. "You can save, but one trip to the hospital can wipe out the savings you have accumulated over 10 years," Yohannan adds.

As mentioned earlier, it is important to keep in mind that health insurance is not an 'investment' that will come back to you later, and therefore, any insurance beyond your need is a waste.

The second question, therefore, is how much cover do you need? This varies depending on the age (you will need less cover when you're younger and more as you age), as well as on family medical history (take bigger cover if your parents are prone to certain hereditary conditions like diabetes and hypertension).

The third question to ask yourself is what kind of cover do you need?

Since Section 80D benefits are also available for smarter products like critical illness covers, top up plans, etc., there is no need to buy medical cover for taking advantage of Section 80D benefits alone. This question is critical because most of us may have some kind of cover. For example, the government provides healthcare facilities to its employees. Most people working in the organised sector also have some group insurance cover. Is that enough, or should you buy a personal health cover as well? The general consensus among experts is that it is better to have an additional personal cover. One issue with the company cover is that you lose cover as soon as you quit the job. "I was between jobs when I needed the health insurance," says Dhruv Sarin, Head of Health Insurance, Policy Bazaar. Another problem of relying only on company cover is that it becomes difficult to get health insurance cover after retirement.

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Regulations

IRDAI seeks comments on draft norms on outsourcing activities – The Indian Express – 26th January, 2017

IRDAI has proposed regulations for outsourcing of non-core activities supporting policy servicing and premium collection for insurance companies and contingency plan to deal with any untoward development. IRDAI (Outsourcing of Activities by Indian Insurers) Regulations is aimed to ensure that insurers follow prudent practices on management of risks arising out of outsourcing with a view to prevent negative systemic impact and to protect the interests of the policyholders.

The Insurance Regulatory and Development Authority of India (IRDAI) also aims to ensure sound and responsive management practices for effective oversight through these regulations.

The draft said insurer is prohibited from outsourcing 'core activities' like investment, fund management, compliance with AML and KYC, and product designing and policyholders grievances redressal.

It further said that while policy servicing remains a core activity for the Insurer who is totally responsible for the services rendered, however, “the activities that support policyholder servicing may be outsourced”.

The draft also proposes that where collection of premium is outsourced, insurers should put in place procedures for issuance of premium acknowledgments instantaneously.

The insurers are also expected to establish and maintain adequate contingency plans.

“This includes disaster recovery plans and backup facilities to support the continuation of an outsourced activity with minimal business disruption in the event of reasonably foreseeable events that affect the ability of an Outsourcing Service Provider to continue providing the service,” the draft said.

Irdai has invited comments on the revised draft on outsourcing of activities by insurers by February 7. It had issued the initial draft in August last year.

Source

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Irdai wants insurers to have 'clear policy' as investors – Business Standard – 25th January, 2017

The high-voltage corporate battle between Tata Sons and ousted chairman Cyrus Mistry, which has put institutional investors like insurers and mutual funds under a lot of pressure to take sides, seems to have shaken up the insurance regulator – the Insurance Regulatory and Development Authority of India (Irdai).

In a first-of-its-kind move that many industry players described as “out of the blue”, Irdai has floated a discussion paper with draft guidelines for the Rs 25- lakh crore plus insurance industry, with regards to its policies while dealing with investee companies and voting activities.

The discussion paper called ‘Stewardship Code for Insurers in India’, which the regulator has put on its website, says that the insurance companies have to formulate and have a clear policy on the discharge of their stewardship responsibilities and publicly disclose it. “These are similar to the market regulator, the Securities and Exchange Board of India’s proxy voting guidelines for asset management companies. This will basically force insurance companies to play their fiduciary role and responsibilities as an institutional investor,” said the CEO of an insurance company.

There are a number of proposals including how insurers should have policies on regularly monitoring investee companies, intervention in their investee companies, collaboration with other institutional investors to preserve the right of policyholders and voting and disclosure of voting activity. “In addition to the regular fulfilment of their stewardship activities, institutional investors should also provide a periodic report to their ultimate beneficiaries (policyholders) of how they have discharged their responsibilities, in a format which is easy to understand,” said the note.

“Insurance companies, especially Life Insurance Corporation of India, have significant stakes in several companies. But there isn’t much on paper on how they will vote and why are they taking a stand of voting for or against a resolution or abstain. It was understood, mostly verbally, that an insurance company will do what is right for their policyholders. Now, insurers have to have a policy,” said an industry player.

The paper also touches on an important point: the role of an insurer in companies where they have insider information by the virtue of their stake – something that would be application especially to Life Insurance Corporation of India which has its nominees on many boards. The paper give the guideline that insurers should have mechanisms for regular monitoring of their investee companies in respect of their performance, leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important.

“Insurers may or may not wish to be made insiders (actively involved with the investee companies). An insurer who may be willing to become an insider should indicate in its stewardship statement the willingness to do so, and the mechanism by which this could be done,” adds the paper.

The paper comes at the time when there is a bitter corporate battle raging between Tata Sons and ousted chairman Cyrus Mistry which has brought the focus on the role of institutional players such as mutual funds and insurance companies. Says a CEO of an insurance firm: “There have been several triggers in the recent past,

including raising of funds by several companies and the Tatas-Mistry slugfest which has brought the role of insurance companies into focus and whether they are discharging their duties as institutional shareholders.”

As per recent reports, Nusli Wadia, chairman of the Wadia group and independent director on the boards of Tata Steel, Tata Motors and Tata Chemicals, has written to the Securities and Exchange Board of India as Life Insurance Corporation of India and UTI Mutual Fund voted against him in the extraordinary general meetings. “With a policy of providing explanation on why they have voted for/against or abstained from any decision, insurers are also protected from any legal tangles,” said an industry player.

Insurers have to give their comments by February 15 and, once Irda approves it, the guidelines will have to be implemented within 30 days.

Insurers need to:

- *Formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it*
- *Have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it*
- *Monitor their investee companies*
- *Have a clear policy on intervention in their investee companies*
- *Have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors), which should be disclosed*
- *Have a clear policy on voting and disclosure of voting activity*
- *Report periodically on their stewardship activities*

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Soon, insurers will have to monitor firms they invest in – Business Line – 23rd January, 2017

Insurers will soon have to monitor key business parameters, such as financial performance and corporate governance, of the companies in which they invest.

They should also set out the circumstances in which they will actively intervene, if the need arises, and regularly assess the outcome of this monitoring, according to the Insurance Regulatory and Development Authority of India (IRDAI).

These guidelines are part of a new stewardship code, which is to be introduced by the regulator and adopted by insurers as institutional investors.

“The principles are intended to strengthen the role of insurers as stewards on behalf of the policyholders,” IRDAI said in a circular.

The stewardship code assumes significance in view of the significant increase in the funds of insurance companies. While not specifying the quantum of investments in an entity that makes an insurer eligible to intervene, the authority says: “A low volume of investment is not, in itself, a reason for not intervening.”

Investment limit

The existing investment norms permit an insurer to invest only up to 10 per cent stake in a single entity. The total accumulated investments made by the insurance sector was at ₹26,90,194 crore as on March 31, 2016, with likely growth of 10 per cent by March 2017.

Life insurers account for 93 per cent of the total investments made by industry.

The investments are made in traditional areas, such as government securities, housing and infrastructure. The other category includes unit-linked insurance plans (ULIPs).

There is increased emphasis on governance of public companies under the corporate and insurance laws and the role and responsibility of boards of companies have expanded.

The policy should clearly define the stewardship responsibilities as identified by the insurer and how it intends to fulfil the same to enhance the wealth of its clients.

For issues that require larger engagement with the investee company, institutional investors may choose to act collectively in order to safeguard the interests of their investors.

“Adoption of the principles will improve the confidence of the policyholders in the insurers and also ensure better corporate governance and decision-making at investee companies,” the IRDAI said.

Source

Once finalised, the insurers will have to put in place a policy based on the principles and get it approved by their respective boards.

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Circulars

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Proposed IRDAI (Outsourcing of Activities by Outsourcing of a activities by Indian Insurers) Regulations, 2017 (Revised Draft) – 25th January, 2017

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Pensions

NPS expected to grow at 35-40% in FY17: PFRDA – Business Line – 20th January, 2017

Pension fund regulator PFRDA is expecting National Pension System (NPS) to grow at a rate of 35-40 per cent in the current fiscal, a top official said today.

“NPS has been growing at around 35 per cent per annum in terms of both AUM and subscriber base for the past three years. We hope to see it to grow at a rate of 35-40 per cent during the current fiscal too,” PFRDA Chairman Hemant Contractor told PTI on the sidelines of an event here.

The AUM of NPS crossed Rs. 1.61 trillion-mark with a subscriber base of 1.41 crore as on December 31, he said.

Atal Pension Yojana (APY), launched by the Government as one of the variants of Prime Minister Jan Dhan Yojana, has crossed the 41 lakh subscriber mark in the past 15 months.

“We are targeting the APY subscriber base to cross the 50 lakh mark by the fiscal-end,” he said.

Contractor said the watchdog has put forward proposals to the Government for modification in APY.

First, the PFRDA has suggested the Government to raise the age-limit for subscribers of APY to 50 years from the current 40.

“Moreover, we want to increase the pension slab from the existing limit of Rs. 5,000 to Rs. 10,000 a month,” he said.

The regulator has introduced e-Sign facility for subscribers to join NPS online.

As per the existing norms, one needn’t produce all copies of original documents while filling up the form online.

Still, he is supposed to produce the copies of original documents within six months’ time.

“However, we have now done away with the rider of producing copies of original papers within six months’ time,” he said, adding “within 20 days of its introduction, around 6,000 people have joined NPS through e-Sign initiative.”

Source

On joining of new pension fund managers, he said nine PFMs, which include seven existing ones, have already been given a go-ahead by the regulator.

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Pension plan for seniors with 8% return – Financial Chronicles – 25th January, 2017

With interest rates headed downwards due to increased liquidity in the banking system post demonetisation, the government has decided to shield senior citizens who depend on interest income to sustain their lives.

The government on Tuesday approved a pension scheme for senior citizens that would provide a guaranteed return of 8 per cent for 10 years. The scheme, Varishtha Pension Bima Yojana 2017, would be launched by the

Source

state-owned LIC during the current financial year to protect elderly persons, 60 years and above, against a potential fall in their future interest income due to uncertain market conditions.

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Global

Thailand: Foreign shareholding and board limits eased for insurers – edaily – AIR – 23rd January, 2017

The Ministry of Finance has issued notifications, published on 18 January, that will relax the foreign shareholding and board limits for life and non-life insurance companies, for the purpose of promoting stability for insurance companies and the insurance industry. The measures took immediate effect.

Regional law firm, Tilleke & Gibbins, said in a commentary on its website: “This appears to be a significant movement for the Thai insurance industry, especially on the life insurance side. For the past several years, there has been some direction toward liberalisation on the non-life insurance side—possibly due to the various catastrophic events within Thailand over recent years.”

In a summary designed to provide general information only, Tilleke & Gibbins says that under the new measures, a licensed insurance company may apply to the Finance Minister for permission to have more than 49% (and up to 100%) foreign shareholding, and for foreign directors to comprise more than half of the directors on its board, on the condition that the insurance company has:

1. a sufficient Capital Adequacy Ratio, at a percentage not less than what is prescribed by the Office of Insurance Commission (OIC); and
2. a business operation plan for promoting stability for insurance companies or the overall insurance industry.

The proposed foreign shareholder must:

1. be an insurance company, or a company engaged in a business that supports, or is related to, the insurance industry;
2. have not less than 10 years of expertise and experience related to and supporting the insurance business;
3. have financial stability and possess a credit rating, or have a parent company with a credit rating, of not less than “A,” which has been issued by a reputable credit rating agency with international network of business operations;
4. have a clear direction in respect to its business operation policy and technology transfer plan, for the purpose of developing the company’s business operation system; and
5. have sufficient financial capability to support and promote the stability of the company, or the overall insurance industry.

Within 90 days of receiving a completed application and supporting documents, the OIC is obliged under the notification to consider and issue its recommendations to the Finance Minister. The Finance Minister will consider and issue the permission (or a denial) within 90 days from the receipt of the OIC’s recommendations. In issuing the permission, the Finance Minister has the authority to impose any rules or time conditions as deemed appropriate.

Source

Once the permission is issued, among other prescribed requirements, the insurance company must maintain Total Capital Available of not less than THB1 billion (US\$28.2 million) for a non-life insurer or THB4 billion for a life company at all times, and throughout its business operation period. Any subsequent material change in the shareholding of the company may require prior approval from the Finance Minister.

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Australia: Online calculator launched to help in health insurance decisions – edaily – AIR – 24th January, 2017

Consumer advocacy group Choice has launched an online calculator to help people decide whether to buy private health insurance.

The calculator works by entering personal details like income, state of residence and age, and the website gives either a ‘Yes’, a ‘No’, or a ‘Maybe’ response, as to whether or not private health insurance is worth it.

Choice spokesman Matt Levy said that young people especially are vulnerable to being sold policies they do not need.

"About a third of them have got a solid 'No' answer, and I caveat that by saying it's a small group and by no way representative, but those are people who are obviously weighing up if this is value for money and may have concerns about it," he said.

"Based on the information that our quiz calculates, it's not going to add up.

"Then you get a whole bunch of people where it's a 'Maybe' answer, and for some people it's a definite 'Yes' because you're going to come out ahead, primarily for taxation reasons."

Mr Levy said that the calculator gives consumers very plain answers about whether health insurance is likely to be value for money for them. The calculator does not take an individual's health into account.

He said that the calculator is "really designed to cut through a lot of the marketing messages, a lot of the pressure selling that we see around health insurance to consumers, especially at this time of year".

Source

At the moment, the Australian government is reviewing health funds' requests to raise premiums this year with the increases to take effect from April.

Private health insurance premiums have been increasing annually and there are fears that the cover would become unaffordable to more people, as thousands have already given up private health cover.

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Vietnam:Multi-peril probabilistic flood model launched – edaily – AIR – 24th January, 2017

British risk modelling company, JBA Risk Management, has released a high-resolution, multi-peril flood model for Vietnam to help the insurance industry better understand flood risk in the country.

The company said in a statement: "JBA Risk Management's Vietnam Flood Probabilistic Model is the first multi-peril (river flood and surface water) catastrophe model for the re/insurance industry, aiding risk management in Vietnam. The model has been developed to cater for the aggregated exposure portfolios while maintaining the need for high-resolution flood analysis."

JBA Risk Management's model is based on consistent 30 metre mapping and allows for detailed latitude/longitude level risk analysis with the inclusion of 646 industrial zones to enable site-level analysis. More than 2,000 km of detailed flood defences are included in the model from detailed mapping of aerial imagery.

Vulnerability functions for properties have been specified for each occupancy/structure type for residential, commercial and industrial lines of business, as well as the inclusion of motor (motorbikes and roads) and agriculture (crops and farm buildings).

Ms Jane Toothill, director at JBA Risk Management, said: "The model allows insurers to better understand which locations are most exposed to severe and frequent flooding. It will be particularly useful for understanding flood correlations between areas of major exposure such as industrial parks and large cities."

Industrial zones are growing in Vietnam, with more industrial developments encroaching onto historic flood plains, so there is increasing potential for extreme flood loss in Vietnam.

Source

The 2011 flooding in neighbouring Thailand had a huge impact on Thai industry, which had cascading global impacts. Industrial parks and factories for multinational companies were severely affected across the country. As the Asian insurance market continues to recover from the US\$12 billion in loss, the industry is starting to question if it is prepared for the next large event in this region.

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Hong Kong:Insurers to seek approval for certain reinsurance transactions - edaily – AIR – 26th January, 2017

A new guidance note on reinsurance for Hong Kong insurers (GN17) has come into effect on 1 January 2017.

The most significant changes in regulation are new approval requirements for certain alternative risk transfer and financial reinsurance transactions, says international law firm Hogan Lovells in a commentary on GN17.

The approval requirements are an important regulatory development since the Hong Kong regulator will now analyse those potentially complex transactions, says the firm.

Alternative risk transfer

Alternative risk transfer arrangements (ART) under which risk is transferred to the capital markets using a special purpose vehicle (SPV) must now be approved in advance by the regulator, except for those entered into by pure reinsurers. SPVs are expected to be “fully-funded” and bankruptcy remote, and the Insurance Authority will take into account factors such as the ownership structure of the SPV, ranking and priority of payments, stress testing of cashflows in the SPV structure, the use of derivatives, and investment strategies as part of its assessment.

Arrangements with insignificant risk transfer

Except for pure reinsurers, insurers must also seek approval from the regulator before entering into new arrangements with insignificant risk transfer (IRT) or varying such arrangements to a material extent. Insurers will be required to disclose detailed information in relation to such IRT to the regulator for assessment.

Source

Certain types of financial reinsurance arrangements will be required to be assessed under the new IRT regime. This will be relevant to a number of Hong Kong insurers/reinsurers who enter into such arrangements, says Hogan Lovells.

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Iran: Insurers' draft governance code finalized – MEIR – AIR – 24th January, 2017

The Insurance Research Centre, a think-tank affiliated with the insurance regulator, Central Insurance of Iran (CII), has finalised draft corporate governance principles for domestic insurance companies.

CII is set to attach the guideline as an amendment to current regulations, reported Financial Tribune.

Mr Amir Safari, IRC director, said the main objective of the guideline is to boost the transparency and responsiveness of insurance companies.

“The precepts define new principles for insurers' internal issues, including the appointment of directors and board members, audit, claims payments and investments,” he said.

Last July, CII tasked the think tank to come up with a set of measures to update corporate governance standards among Iranian insurers.

At present, insurers only comply with the Trade Law and Insurance Law. Both are old, and fail to clearly define the roles and responsibilities of executives and board members. The lack of written regulations specifically

addressing the structure of insurance companies has been mentioned in the past as the main barrier to implementing governance standards in the industry.

Mr Safari said his colleagues had studied a number of similar governance standards in the process, including those developed by the Organization for Economic Cooperation and Development and the International Association of Insurance Supervisors, to draft the best rules.

Source

“We also surveyed several experts, academics, insurers, journalists and policymakers,” he said.

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