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Buddha

INSIDE THE ISSUE

Source

Insurance Industry

FII holding in Indian insurance promoter not part of total FDI - Business Standard – 9th July 2015

The Insurance Regulatory and Development Authority of India (Irdai) on Wednesday published a clarification by the department of financial services that holdings of equity in an Indian promoter company held by foreign institutional investors (FIIs), other than the foreign promoters of the applicant and their subsidiaries and nominees, will not be part of the foreign direct investment (FDI). This comes as a relief to several Indian entities that have a high FII holding.

According to the definitions by the Foreign Investment Promotion Board (FIPB) in their rules in February 2015, foreign equity investment cap of 49 per cent is applicable to all Indian insurance companies. Also, it would not allow the aggregate holdings by way of total foreign investment in their equity shares by foreign Investors, including portfolio investors, to exceed 49 per cent of their paid-up equity capital and also shall ensure that ownership and control shall remain at all times in the hands of resident Indian entities.

Last week, FIPB cleared Kotak Mahindra Bank's proposal to raise foreign investment limit in the lender to 55 per cent. After deferring a decision on the proposal in the past, FIPB, headed by Finance Secretary Rajiv Mehrishi, cleared the application after the department of financial services gave its opinion on the matter, sources said.

Kotak Mahindra Bank had approached FIPB after the Reserve Bank of India barred foreign investments in it, as foreign shareholding hit the permissible threshold following the merger with ING Vysya Bank. Investments from FIIs, foreign portfolio investors and foreign banks had reached 48.55 per cent in the merged entity.

With this clarification that has come now, the confusion over FII holding in insurance promoters acting as a deterrent for foreign promoters to raise their stake to 49 per cent. Indian promoter is required to have at least 51 per cent stake in the insurance venture. Now, according to the new definition, this can also include FII stake.

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Insurers can raise up to $12bn after higher FDI cap – The Times of India – 8th July 2015

Promoters of insurance companies could raise between $7 billion and $12 billion through sale of 23% stake to their foreign partners, according to rating agency ICRA. This is the headroom that is available with the insurance companies. The actual inflows will, however, depend on the extent to which Indian and foreign partners agree on the valuation.

"Hike in foreign shareholding from 26% to 49% can help industry mobilise risk capital with private life companies at $6-8 billion and private non-life at around $1-3 billion. Since, there is no urgent requirement for capital, promoters might use this to unlock value," said Vibha Batra, senior VP & co-head of financial sector ratings, ICRA. She said that many of the insurance companies are promoted by banks, which might use the opportunity to unlock value and improve their own capital position.

Incidentally, most large public sector banks (PSBs) have a stake in a life insurance company. Besides the SBI, which has its own subsidiary, other PSBs that have promoted insurance companies include Bank of Baroda, Punjab National Bank, Bank of India, Union Bank, IDBI Bank, Canara Bank, and Oriental Bank of Commerce.

A report issued by ICRA said that most private life insurance companies have a capitalization level that they are comfortable with. The median solvency level of select private players is 3.35% as against the regulatory prescription of 1.5%. Life insurers had achieved sound capitalization level on the back of low growth and improved operating efficiencies. "The hike in foreign direct investment shareholding limit will aid Indian shareholders monetize their investment," said the report. It added that the bill was crucial for companies where the Indian promoters have a weaker financial profile. "In the general insurance sector, the capital requirements for the private sector is between Rs 4,500 crore to Rs 10,000 crore. We feel that companies can easily manage this," said Batra.

Source

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IRDAI Regulation

IRDAI pushes insurers for better governance to protect policyholders' interest - The Economic Times – 6th July 2015

The insurance regulator is planning to crack down on insurance companies' corporate governance issues, in an exercise aimed at protecting the policyholders' interest. The regulator has proposed that companies strengthen the structure of their board and expand it so that there's no conflict of interest between different roles such as investment committee and audit committee.

Insurance Regulatory & Development Authority of India (IRDAI) takes a more consultative approach in framing regulations for the sector, and included these suggestions in the investment regulation draft that was circulated among members last week for comments. "The proposals aim to improve the overall corporate governance process," Mayank Bathwal, deputy chief executive officer of Birla Sun Life Insurance Company told ET.

Both life and general insurance companies may need to rejig their committee structures with the regulator nudging to them to find a way to avoid engaging common members in investment and audit committees. "The board shall review the investment policy and its implementation on a half-yearly basis or at such short intervals keeping in mind protection of policyholders' interest," IRDAI said in the draft.

While audit committees, which are compulsorily headed by a chartered accountant, have the edge, the regulator is planning to mandate insurers to include the company's chief risk officer in the investment committee to improve compliance and tackle risks. "Mandatory inclusion of chief risk officers in investment committees would help bring in a more balanced and holistic view on investment," said Reliance Life Insurance Company chief executive officer Anup Rau.

The Life Insurance Council, an industry association, will meet its members this week to discuss the proposals. The last date of sending comments is July 10. IRDAI has also suggested barring companies from making fixed deposits in promoter banks, and proposed 25% of unit-linked insurance funds be invested in government securities.

The regulator said that the insurer should audit all investment transactions covering both shareholders and policyholders funds through internal or concurrent auditor. "The decisions taken by the investment committee shall be recorded and be open to inspection by the officers of the authority," it said.

Source

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Irdai steps in to get rid of the middleman - Business Standard – 5th July 2015

Once admitted to a hospital, if the illness doesn't bog you down, chasing your insurer for settling the claim surely will, if you are admitted in a hospital that's not in the preferred provider network (PPN) list. Take the example of 63-year-old Zarina Shaikah, a retired school teacher. She spent Rs 84,000 for treatment of cholera at a well-known hospital in Mumbai that didn't offer a cashless claim settlement. Once out of hospital, she lodged a claim with her health insurance company. Two months later, she received a cheque of Rs 24,245.

While she was following up with the third-party administrator (TPA) on the reason, she got a call and was asked to pay Rs 10,000 if she wished to get the entire amount reimbursed. This is not a one-off case. The over-dependence of insurance companies on TPAs has given rise to malpractices, due to which the policyholder suffers. To plug claims mismanagement, the Insurance Regulatory and Development Authority of India (Irdai) is bringing reforms in the mediclaim segment.

Claim rejected or reduced to nothing?

It has been a common practice for TPAs to reject claims citing lack of documents or other discrepancy. More common is a practice where they give you a list of deductions they have applied to bring down the claim amount, like what happened in Shaikah's case.

Gaurang Damani, an activist whose public interest suit in the Bombay High Court led to many changes in health insurance policies, explains: "Insurance companies have been incentivising TPAs to reduce the bill amount and, in turn, lower their outgo." In the court, he produced documents that showed TPAs give daily targets to its staff for approving claims. For example, the total money sanction in a day for all the claims should not cross Rs 45 lakh. "How can settlement of hospital bills be based on targets?" questions Damani. He also points out that there have been instances where the same TPA has sanctioned different amounts for the same disease in the same hospital.

To reduce such cases, Irdai recently clarified in its draft health insurance regulations that TPAs have no right to reject claims and such power lies exclusively with insurance company. It also clarified that TPAs should only administer cashless claims. The decision to reject claims or to reduce it should be taken by the company. Experts feel arbitrary rejections will definitely go down because of this. Wrongful deductions, too, will fall as the decisions will now be conveyed by a company official on its letterhead.

Get discounts on your bill

TPAs and insurance firms have several transactions with hospitals in the cashless segment. When several such bills pile up, the former negotiate with healthcare providers for discounts to release full payment. However, policyholders are not aware and get a bill for the rack rates charged by the hospitals.

Now, these discounts will be passed on to the policyholders. The regulator has mandated insurers and TPAs to make hospitals reflect the discounts in the final bill. For example, you are admitted to a hospital that offers cashless facility and charged Rs 50,000 for treatment. If the hospital gives a discount to the insurance company, your bill, too, will come down.

This is a significant move. Policyholders would be left with a higher sum insured as balance to take care of future claims. If people who would exhaust their entire sum insured during treatment get this discount, the payout from their pocket will be less.

Better claim management

During the court proceedings of the suit that Damani had filed, the regulator submitted a survey it did among insurance companies. According to the report, one public sector insurance firm doesn't have an effective system in place to administer the health policies serviced by TPAs. A private sector insurer was found to have no records of claims its TPAs serviced. Another had given a bulk amount, called float fund, to its partner TPA to settle claims on its behalf. Once the draft guidelines are implemented, such cases would come down.

To offer cashless facility, insurance companies use a PPN or hospitals empanelled by TPAs. Experts say the regulator also come across cases where the TPAs have asked hospitals to give commissions on every claim if they want to enrol in a PPN. Hospitals get swayed easily for the lure business. But this also results in overcharging customers in order to pay commissions to TPAs. Irdai in its draft proposal has said TPAs should not solicit any business dealings on behalf of insurance companies. This guideline would reduce such malpractices.

Due to such issues, many private insurers have moved towards having their in-house claims department, rather than partnering with TPAs. Bajaj Allianz General Insurance was among the first private ones to have its own claim processing team. "Initially, we had TPAs for about a year. But after facing issues and grievances from customers, we decided to have our own department. It also helps us resolve grey areas quickly," says Suresh Sugathan, head (health administration team) at Bajaj Allianz.

With reforms, many experts feel TPAs would be marginalised. "The industry is growing at 25-30 per cent annually and TPAs have their own standing due to their business ties. However, their role will be defined and smaller," says managing director of a general insurance company in south India.

With the recent reforms, insurance companies feel there are better days ahead for customers. "Health insurance is a very sensitive area and the regulator wants TPAs to service the policyholders well. As some frauds have happened, the regulator feels these were due to oversight by companies. It wants the firms to have control on their TPAs," says Sanjay Datta, head (underwriting and claims) at ICICI Lombard General Insurance Co.

Source

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Irdai group to explore opportunities in insurance e-commerce - Business Standard – 4th July 2015

The Insurance Regulatory and Development Authority of India (Irdai) is constituting two groups, one in life insurance and one in general insurance, to explore opportunities in the e-commerce sector. In a circular, the regulator said they are inclined to facilitate the promotion of e-commerce in insurance space which will lower the cost of transacting insurance business along with bringing higher efficiencies and greater reach. This will suitably leverage the government's Digital India initiative aimed at creating a digitally empowered society and knowledge economy.

The two groups will look into identifying opportunities of e-commerce in the insurance sector, recommend technological solutions, suggest regulatory and other facilitation measures for growth and synergise with Digital India initiatives of the government.

In the life group, members include Sandeep Bakshi, chief executive officer (CEO) at ICICI Prudential Life, a representative of the Life Insurance Corporation of India, Pramod Khanna of Hero Corporate Services and Jignesh Gandhi of NSDL Insurance Repositories. Gautam Kumar, deputy director at Irdai, will be the convenor for this group.

The members of the general insurance group would comprise Tapen Singhel, CEO at Bajaj Allianz General Insurance, a New India Assurance representative, Tarun Samant, CEO at Tata Motors Insurance Brokers, S V Ramanan, CEO at CAMS Insurance Repository. N M Behara, deputy director at Irdai, will be the convenor for the group. The groups have to finalise the report containing its recommendations within four weeks and submit the same to the Irdai chairman.

Source

Back

Insurers' approved investments can only be in CNX 200, BSE 200 companies: Irdai draft - Business Standard – 4th July 2015

The Insurance Regulatory and Development Authority of India (Irdai) has, in its new draft on investments, said the equity investments in CNX 200 or BSE 200 can only be considered as approved investments. It further said other approved instruments for investment would also include debentures by first charge on immovable property.

Approved securities would include preference shares of any company which has paid dividends on its ordinary shares or preference shares of any company on which dividends have been paid.

Rated debentures including bonds along with other secured debt instruments will be considered as approved instruments. In equity shares, preference shares and debt instruments issued by All India Financial Institutions, investment shall be made according to the investment policy guidelines, benchmarks and exposure norms approved by the board of directors of the insurer.

Irdai said bonds or debentures issued by companies, rated not less than AA or its equivalent and A1 or equivalent ratings for short-term bonds, debentures, certificate of deposits and commercial papers by a credit rating agency, registered under Sebi (Credit Rating Agencies) Regulations 1999, would be considered as 'approved Investments'.

On the unit-linked insurance fund, Irdai said that investment in central government securities cannot be less than 25 per cent.

Source

Life Insurance

'Cancer insurance becoming a key market' - The Hindu Business Line – 8th July 2015

Cancer insurance is going to be an important segment for the healthcare insurance market and a niche insurance product because of rising awareness of cancer risks and the increasing cost of treatment, says Sujoy Manna, Vice-President (Products), HDFC Life.

Financial support

The simplification of the procedures to buy an insurance plan and the easing of regulations by the IRDA are also helping in popularising cancer insurance, Manna told BusinessLine . HDFC Life recently launched a cancer care plan that provides financial support to policyholders on diagnosis of cancer. "We are the only private life insurance company to offer such a product," Manna claimed.

However, in a populous country such as India, cancer insurance coverage is very low; the penetration of insurance as such, including healthcare and life, is also abysmal. More than three-fourths of cancer patients pay for their own treatment.

This makes it a market with potential as the cost of treatment increases and people's income and awareness of risks rise, Manna pointed out. On average, the cost of treating lung cancer among males and breast cancer among females ranged between Rs. 3 lakh-25 lakh.

Policy benefits

Manna said HDFC Life's cancer care plan provided for a fixed lump sum benefit (25 per cent of the sum insured) on diagnosis of early-stage cancer and 100 per cent for major cancer. It also provided for a regular income. "Being financially prepared for the cancer risk is half the battle won," Manna said.

Source

Back

Proposal mandating G-Sec investments may make ULIPs unattractive - Business Standard – 8th July 2015

Insurance products are not the ideal instruments for investment. They are meant to offer risk protection. But Unit Linked Insurance Plans (Ulips) offered by life insurance companies have an investment component as well. Those selling Ulips point out the combined features of tax exemption, life insurance and returns from investment as benefits.

After several cases of mis-selling, where policyholders lost money heavily, Insurance Regulatory and Development Authority of India (Irdai) imposed caps on the charges and commissions on Ulips. Now, the latest draft guideline proposes to make exposure to government securities (G-Secs) mandatory for Ulip investments. Will this make Ulips safer? Or it lead to lower returns?

One of the proposals, in the draft guidelines released last week, says Ulips should have minimum 25 per cent exposure to G-Secs. It is not clear whether this is for each Ulip fund or all Ulip funds put together. Currently, insurance companies offer debt, hybrid and equity funds in Ulips. But if each fund is mandated to have a 25 per cent exposure to G-Secs, there will be no pure equity funds.

"If this proposal is implemented it will affect the sales proposition for Ulips. For investors who want 100 per cent equity exposure, it could become difficult for companies to structure such funds,"' says Aneesh Srivastava, chief investment officer, IDBI Federal Life Insurance.

From the point of view of returns, when equity markets are down or flat, G-Sec exposure is good, as it will provide some cushion. In a scenario where equity markets are rising, then 100 per cent equities exposure can help generate higher returns.

The impact on returns might not be very substantial, because only in a secular upturn would the gains get impacted by having exposure to G-Secs. However, sales of Ulips could become more difficult, Srivastava points out. But in case of a secular downturn, G-Secs could provide cushion. Ulips are more sophisticated instruments, allowing choice to individuals. For those seeking safer avenues, there are traditional products like endowment and money-back policies.

Ideally, a policyholder should be given the choice to invest in any fund he/she chooses, says Yashish Dahiya, CEO & co-founder, Policybazaar.com. "Debt funds in Ulips have become popular only recently. People who usually put money in Ulips do so because they want equity exposure. Forcing companies to invest in certain types of securities is not a consumer friendly measure. Customers are likely to get better returns by investing in equities over a long period of time," he says.

Insurance company officials point out that the option to invest in G-Secs already exists, as policyholders can choose between debt funds or hybrid funds. Then, what is the need to impose this restriction on equity funds as well? While the G-Sec exposure might make the Ulip safer, it will lead to a compromise in returns.

Ulips are always compared to mutual funds, based on the net asset value (NAV). But with this rule, that comparison will not be possible, says the head of investments of another private life insurance company. MFs will have more choice.

"While you are indirectly saying that capital is protected, it does not mean that returns will not come down," he points out. Currently, insurance companies are allowed to invest in approved securities. This includes bonds that are rated 'AA' and higher, bonds that are secured by some asset. On the equity side, Ulips can invest in companies that have a track record of paying four per cent dividend for at least nine years, a restriction that mutual funds don't have.

Source

"Now Ulips are on a par with MFs, as the charges (in case of Ulips) are capped at 1-1.5 per cent and they also offer tax benefit. But any restriction on flexibility will reduce the attractiveness of that instrument,'' says Naval Goel- Founder & CEO PolicyX.com.

Back

Life insurance sector likely to grow 12-15% in FY16: ICRA - Financial Chronicle – 6th July 2015

India's life insurance industry is likely to grow by 12 to 15 per cent in the current financial year due to improved market scenario and the government's push to improve insurance penetration in the country, according to rating agency ICRA. The sector is expected to grow this fiscal on an annual premium equivalent (APE) basis compared to 9 per cent decline in FY15 on the back of improved capital market scenario, initial signs of improvement in economic indicators and stronger thrust by the government, ICRA said said in a report.

"We believe that key structural drivers for the industry remain intact and an expected recovery in the economy would provide impetus to the industry," ICRA Senior Vice-President and Co-Head-Financial Sector Ratings, Karthik Srinivasan told PTI here today. He said the rating agency expects a growth of over 15 per cent in the sector in the next few years as the operating environment improves.

ICRA has analysed the performance of 9 life insurance firms - state-owned LIC and eight private sector firms - collectively representing around 92 per cent of the market. According to the agency, notwithstanding the 12 per cent improvement recorded in the total new business premium (NBP) during financial year 2013-14, the industry de-grew by 5 per cent in 2014-15 to Rs 1,131 billion. The decline in the NBP was on account of contraction in both single and regular premium segments.

In 2014-15, new business premium for private sector players rose by 18 per cent, while for LIC it contracted by 13 per cent mainly due to decline in its individual business. While agents remain the main drivers for business of LIC, the bancassurance channel is fast gaining ground as a key distribution and sales channel especially for the private sector players, it noted.

The change in foreign shareholding guidelines to 49 per cent from 26 per cent can lead to capital inflows of USD 6-8 billion for the private sector life companies, it said. "However, most of the private sector companies have comfortable capital scenario and do not require much funds. Moreover, it is also not clear as to how much of the funds from FDI will come to the insurance company and the parent company," Srinivasan said.

Source

On the general insurance side, the solvency ratio remain stronger for the public sector insurers compared to the private players, he said. ICRA estimates the capital requirement for general insurance industry to be around Rs 60-195 billion over the next five years.

Insurance Cos Face Tough Competition from PMJJBY - The Economic Times – 6th July 2015

Insurance companies are finding it tough to compete with the government's ultra-cheap scheme, Pradhan Mantri Jeevan Jyoti Bima Yojana, as they unable to match the state at the lower end of the life cover business. Under the scheme, the government offers life insurance cover of Rs 2 lakh for a premium of Rs 330 annually to savings account holders aged 18 to 50 in participating banks. Entry-level plans of other insurers offer higher cover and cost much more. State-owned Life Insurance Corporation of India, the country's biggest insurer, offers a five-year term plan with a minimum assured sum of Rs 6 lakh for a premium of Rs 1,212 at the entry level. The premium increases with age. ICICI Prudential quotes a premium of Rs 2,452 a year for a 25-year-old for a 30-year plan, according to the company's online tool.

The government introduced the scheme with the objective of increasing insurance penetration in India, which stood at 3.9% in 2013 compared with the world average of 6.3%. Already, 2.66 crore people have enrolled for the scheme. With the low premium offered under PMJJBY, agents are finding it difficult to push higher-value insurance products, especially in the smaller cities and towns.

"The clientele for such products were lower middle-class households," said the corporate agency of a leading insurance company. "In any case, it was difficult to convince them to buy a pure term plan, which has been further affected on account of this low-premium plan." Agents are trying to make people aware about the limitations of the government scheme, according to another insurance agent, who said coverage under PMJJBY is up to the age of 50, which is below current life expectancy figures.

"You cannot match the low premium as the scheme has government support. But it also has a positive that people get aware about insurance and pension products, and as they move up in the financial ladder they opt for more coverage," the agent added. Prime Minister Narendra Modi had launched two other schemes along with the PMJJBY for comprehensive social security -- the Pradhan Mantri Suraksha Bima Yojana for accidental death insurance and the Atal Pension Yojana to provide old-age income. Total enrolment in all three schemes is 10.4 crore as of now. Most banks offer the insurance product through their branches in a tie-up with group promoted firms or bancassurance partners.

Corporate agents of insurers, who solicit business on behalf of insurance companies, said that their costs have also increased as they are required to hire staffers on a permanent basis.This "increases our cost on account of employee benefits," said Vanamali Polavaram, managing director of GTFS Multi Services Ltd. Under the PMJJBY, the reimbursement amount to an agent is Rs 30 per annum per member.

Source

Back

Industry fears over Ulip returns - The Economic Times (Delhi) – 6th July 2015

Investors in unit-linked insurance plans (Ulips) may get lower returns and fewer choices if the insurance regulator's proposal on mandatory 25% investment in government bonds becomes a rule. “Equity tends to deliver the highest returns. Mandating a minimum exposure to government securities will run contradictory to this research-backed view,“ says R.M. Vishakha, MD and Chief Executive of India First Life Insurance. At present, Ulips make up 50-60% of life insurers' portfolios, with close to 90% of the premium being invested in equity.

The proposal will also whittle down choices available to policyholders. “This draft reduces the flexibility offered to customers,“ says Kshitij Jain, MD and CEO of Exide Life Insurance. All Ulips offer fund options with varying combinations of equity and debt, including pure equity, debt and balanced funds. Since late 2013, Ulips have seen sustained revival in fortunes on the back of buoyant equity markets. In 2014-15, fresh premium income from Ulips grew 40% from the previous year to Rs 13,250 crore. Overall Ulip premiums crossed Rs 41,565 crore, a rise of 15% over 2013-14.

The Insurance Regulatory and Development Authority of India's (IRDAI) proposal could put a spoke in the wheel of this Ulip juggernaut. “The proposal is regressive. A market-linked product should be in a position to give returns in line with the market,“ says Manoj Nagpal, CEO of Outlook Asia Capital. Insurers fear that the proposed restrictive provision will translate into lack of parity with mutual funds, resulting in investors abandoning Ulips in favour of the latter.

Source

General Insurance

Car insurers to use technology to study vehicle use, driving patterns – Financial Chronicle – 8th July 2015

Motor insurance will in future see deployment of telematics, whereby installed or after-factory boxes collect and transmit data on vehicle use, maintenance requirements or automotive servicing, says KG Krishnamoorthy Rao, MD & CEO, Future Generali India Insurance. Insurers would tap this technology to see what kind of roads people drive the cars, driving habits and other data so that motor insurance premiums can be adequately priced.

At present, motor insurance in India is based on parametres like vehicle model and the make for determining the repair cost. Second parametre is the age of the vehicle. The third factor is the value of the vehicle. "Auto premiums in India are very low.

In markets like the UK, the US, rates can be as high as 4-5 per cent of the value of the vehicle which in India is closer to one per cent. For liability (insurance), it is totally different. In US, the cover is taken for all persons driving the vehicle, not for the vehicle. In India, five people will be driving the vehicle.

In India, at present it is very difficult to price based on the driving habits of the person," said Krishnamoorthy Rao. Future Generali has done some experimentation on pay as you go premium.

"We had put the telematics device in the car and we collected data on the driving behaviour of the people. Based on that, we tried to price risk....these are things which will come in future," said the top executive, who has over 26 years of experience in insurance and risk management.

"These products will come in future because now some of the manufacturers have the telematics device in-built in the vehicle so without having an external device you will know how the car has been driven, how many times break has been applied, what was the speed...so you get that data.

This data can be used for pricing insurance. So if a car is used in plain roads, driving behaviour is good, premium will be lower. If its used in risky roads, we can charge higher premium. If driving is rash, premiums can go further up," said Rao. Future Generali India Insurance is a joint venture between the Future Group and Generali, a 184 year old global insurance group featuring among the world's 50 largest companies.

Source

Back

Tech-based crop insurance solutions coming soon - The Hindu Business Line – 6th July 2015

The Insurance Regulatory and Development Authority of India (IRDAI) is in the process of inducing technology-based changes to make crop insurance foolproof. he regulator has sent communication to the State Governments of Madhya Pradesh and Punjab to launch field level pilot programmes to test some new measures, a senior IRDAI official told BusinessLine here.

The government and IRDAI had commenced the exercise to address problems on the crop insurance front early this year and proposed the launch of a pilot programme. If things move ahead as planned, these two States will be roped in to introduce measurement of acreage or/and yield on the basis of satellite images in place of physical measurement being used now, the official added.

Low penetration

The low penetration of farm insurance has been a concern. For instance, according to the data given in IRDAI's annual report for the year 2013-14, the Modified National Agricultural Insurance Scheme (MNAIC), which was launched as pilot in Rabi 2010-11 to Kharif 2013, covered only 51 lakh farmers for a sum insured of Rs. 13,497 crore.

Crop insurance is not on the agenda of a majority of farmers due to the high premium rates and a host of other problems. Farmers' unions argue that the premium levels were prohibitive, making it virtually impossible for farmers to take insurance. Insurance terms and coverage of crops too were not enticing enough to make farmers to take cover.

The All-India Kisan Sabha (AIKS) has said that premiums range from 7-10 per cent. "For cotton and chillies it works out to Rs. 600-700 an acre. Moreover, they pick a crop for each district and offer cover only to that crop," Sarampally Malla Reddy, Vice-President of AIKS, said.

Pay for sub-10 acres

"If the State and Central Governments are really serious to make agricultural insurance a success, they must subsidise it. They must pay premium for all the farmers with less than 10 acres. Farmers having more land would pay 50 per cent of their premium charges," he said.

Source

Farmers also felt that piecemeal efforts would not do. "Of the 23 crops, they are offering cover for only four or five crops. This must change," he said. Inordinate delay in crop cutting experiments is also hurting farmers, the IRDAI official said.

Back

IRDAI Circular

Source

IRDAI Released order regarding constitution of life and general insurance groups for promoting e-commerce in insurance sector.

Back

Global News

China: Regulator raises insurance investment caps on blue chips – Asia Insurance Review

The China Insurance Regulatory Commission (CIRC) has increased the limits for insurers to invest in blue chip stocks as the government and several other agencies and companies attempt to stop the sell-off in the country's stock market.

In a statement yesterday, CIRC said that insurance companies can now invest 10% of their total assets in a single blue chip stock, double the previous 5% limit. Qualified insurers can also increase the ratio of their equity assets to 40% of their total assets from 30%, if the purchases are for blue chips, the CIRC said.

The insurance regulator, which made no mention of the sharp falls in the stock market of the past few weeks, also said that insurers should act according to their asset-liability management needs and market changes. They should also step up monitoring of risk in equity assets and conduct regular stress tests, to ensure compliance with solvency requirements.

On Monday, Shanghai Securities News reported an insurance asset management executive as saying that CIRC had been urging insurers to buy up shares every day. Several large insurers have obliged, and began in earnest on 1 July to purchase shares.

The stock market has plunged by 30% since the peak on 12 June, and continued to fall yesterday despite the various measures taken to prop up the market yesterday and in recent days.

Other measures unveiled yesterday included the government ordering state-owned companies to buy shares. Beijing also promised more credit to finance trading. To stem the stock market losses, over 1,400 China-listed companies have announced trading halts on the Shanghai and Shenzhen exchanges as of yesterday, representing over 50% of a total of over 2,750 listed firms.

Source

The China Securities Regulatory Commission (CSRC) said yesterday that there was "panic sentiment" in the stock market and a surge in "irrational selling".

Back

Sri Lanka: Insurance mart sees 5% growth in premiums - Asia Insurance Review

Sri Lanka's insurance industry saw total Gross Written Premium (GWP) grow by 5.14% to LKR99,872 million (US$746.8 million) last year, according to the industry regulator, the Insurance Board (IB).

Of the total, long term insurance business saw growth of 7.04% in premium income to LKR44,610 million last year (2013: LKR41,676 million) while general insurance premiums increased by 3.66% to LKR55,262 million (2013: LKR53,311 million), reported the Daily News.

Source

The total assets held by insurance companies increased by 13.81% to LKR406,827 million as at 31 December 2014 when compared to LKR357,465 million at the end of 2013.