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Insurance Industry

FinMin for broadening definition of insurance - The Indian Express

Bringing a much needed clarity to the sector, the government has begun a review of the definition of 'insurance' that could help companies in related activities such as insurance broking and intermediaries bring in foreign direct investment through the automatic route. The finance ministry has asked the department of industrial policy and promotion (DIPP), to review the definition, two officials familiar with the development said.

"The current definition of insurance in the FDI regulations is very narrow and activities like intermediaries and brokers are not included. In contrast, the insurance regulator IRDA considers these as a part of the insurance sector," a senior official said.

Under existing guidelines, foreign direct investment up to 26 per cent is permitted in the insurance sector. But the DIPP — the nodal agency for forming policies on FDI — considers only life and general insurance companies as part of the insurance sector. In contrast, the IRDA includes intermediaries, insurance brokers and re-insurers as a part of the sector.

As a result, only life and general insurance firms can get in FDI up to 26 per cent through the automatic route. Other related firms such as insurance brokers and intermediaries have to seek clearance from the Foreign Investment and Promotion Board.

For example, the FIPB in January this year approved a proposal of Mahindra Insurance Brokers Ltd and Mahindra Financial Services to bring in foreign equity through FDI of Rs 80.41 crore.

Experts point out that a clarity in definition would make the foreign investment regime for the sector simpler and more transparent. "The FIPB should make necessary clarifications to enable firms in related activities such as insurance broking

to get FDI through the automatic route up to the sectoral limit. At present, such companies have to take approval from the FIPB," said Sidharth Shankar, partner, J Sagar Associates.

Significantly, the move comes at a time when the government is also trying to increase the overall FDI cap for the insurance sector to 49 per cent. The finance ministry is likely to table the long pending Insurance Laws (Amendment) Bill in the current session of Parliament.

Experts believe that if the DIPP issues a clarification on the issue, it will also impact the Bill and the government may have to revise the definition of insurance in the proposed legislation as well.

Source -

<http://www.indianexpress.com/news/finmin-for-broadening-definition-of-insurance/1085012/0>

Insurance Bill now holds the key to FTA with EU - Mint

The much-delayed free trade agreement (FTA) between India and the European Union (EU) may finally get through if the government is able to amend the law to allow greater foreign investment in Indian insurance firms.

Chief negotiators of the two sides are scheduled to meet next week in Brussels to thrash out the remaining issues in the deal. This will be followed by a meeting between trade ministers from both sides in April to close the deal. Talks on the bilateral trade and investment agreement started in 2007. The two sides have missed at least four deadlines to complete negotiations.

"There is a very good chance" of reaching a deal this time, a commerce ministry official said, speaking on condition of anonymity. "Everyone knows they (EU) are interested in opening up the insurance sector. Let's see what happens in Parliament."

Of the 23 private life insurance companies operating in India, 11 are joint ventures with European insurers. Of the 21 private general insurance companies in the country, seven are partnerships with firms headquartered in Europe.

The insurance amendment Bill proposes to raise the foreign direct investment (FDI) cap for the sector to 49% from 26%, but the standing committee on finance, headed by main opposition Bharatiya Janata Party leader Yashwant Sinha, is against this.

The government is trying to forge a consensus with opposition parties to ensure passage of the Bill and may table the Bill in Parliament in the second half of the budget session, said a finance ministry official, also declining to be identified.

The finance ministry is also exploring an option to allow foreign institutional investors to hold up to a 23% stake in Indian insurance firms, maintaining the FDI limit at 26%, if a consensus can't be reached.

"We have heard from some of the foreign promoters. Let's see what can be done. Political consensus is needed to push through the bill," the finance ministry official said.

Asked if the meeting in Brussels will be the last round of talks for a EU-FTA deal, the commerce ministry official said: "In a way yes, but discussions would still continue to fine tune the deal. I would call it a critical round." EU ambassador to India Joao Cravinho last month warned of "a closing window" of opportunity given that India's general election is scheduled for next year.

Cravinho said differences over services—the mobility of professionals without restrictions that India has been pitching for—were more serious than those over reducing tariffs in the auto and wine and spirits sectors.

India also wants the EU to declare the country data-safe, which will help information technology and outsourcing companies. The EU, however, maintains the issue is not part of the FTA negotiations and should be dealt with independently. "We will certainly be very supportive of India getting data adequacy status... It's in India's interest because there are billions of dollars of business involved, but it's also in our interest because European companies will gain by using Indian companies to do their data processing. It will reduce our costs," Cravinho said.

T.S. Vishwanath, principal adviser at APJ-SLG Law Offices, said the trade negotiations between the two sides are heading towards a conclusion as a majority of the issues have been sorted out. "On issues like reducing tariffs on automobile imports, India needs to convince the EU that it has a road map even if it does not eliminate duties at one go. Similarly, EU also needs to tell India how India can become a data secure country. A deal does not quite look difficult now," he said.

Apart from insurance, the EU may insist on making FDI in multi-brand retail more flexible as it considers the current policy complex, said Arpita Mukherjee, professor at the Indian Council for Research on International Economic Relations.

"EU may insist on further liberalizing the sourcing clause, making backend investment requirements flexible and allowing FDI in e-commerce," she said. Opening up the retail sector for foreign investment was one of the key demands of the EU. India last year allowed 51% FDI in multi-brand retail and 100% FDI in single-brand retail.

Though the commerce ministry says it had no plans to allow FDI in e-commerce, Planning Commission deputy chairman Montek Singh Ahluwalia on Friday signalled a change in government's thinking. "I have expressed my view that if we have FDI in conventional retail, the same principle should apply in online retail. Many people have brought this to my attention. I propose to raise this with (commerce minister) Anand Sharma," he told reporters.

Source -

<http://www.livemint.com/Politics/9jTcnulMJQBWB4Ap9ioqyM/Insurance-Bill-now-holds-the-key-to-FTA-with-EU.html>

Sebi renews efforts with Irda for allowing insurance firms in SLB - The Financial Express

The Securities and Exchange Board of India (Sebi) will soon make another attempt to convince the Insurance Regulatory and Development Authority (Irda) for allowing insurance companies in the stock lending and borrowing (SLB)

mechanism. According to persons familiar with the development, Sebi has decided to give another shot to the long-pending demand of the market after TS Vijayan was named Irda chairman last month.

Sources say that the capital market regulator is quite optimistic this time as Vijayan — who was associated with LIC for over three decades — is well verse with the insurance sector and its demands related to capital market operations. Incidentally, LIC itself has been keen on getting an approval for participating in the SLB segment as it will improve the insurance behemoth's return on the huge corpus of idle securities in its portfolio.

SLB refers to a mechanism through which an entity can borrow shares on a temporary basis to meet its delivery obligations. Stock exchanges fix the fee for lending/borrowing of shares while Sebi has laid down the broad guidelines related to tenure of lending/borrowing and margins. The borrower has to return the shares at the end of the agreed term.

This is not the first time that the regulators would be sitting together to arrive at a consensus on insurance players being allowed in SLB. Many meetings were held during former Irda chairman Hari Narayan's tenure. Vijayan's predecessor was an IAS officer of the 1970 batch with widespread experience, but none directly associated with the insurance sector.

"Insurance companies are the biggest suppliers of securities. This segment is meant for players like insurance companies and mutual funds. In fact, there was a committee also set up for this (allowing insurance companies in SLB) and everyone had approved it also. But Irda seems to have its own share of concerns," said an industry player familiar with the deliberations.

Market participants say that if Sebi succeeds in convincing Irda this time, it would provide the much-needed fillip to the sagging SLB segment, which has failed to register significant volumes even after five years of launch. They say the absence of long-only institutional players is acting as the biggest hindrance in the growth of SLB in India. According to the NSE data, the monthly turnover has been in the range of only R1-2 crore for the past several months (see table). The segment has seen an average of mere 3,000 trades every month since June last year.

Interestingly, while one can argue that the volumes are still insignificant, there has been some amount of upswing in the last couple of years. In 2011, for instance, less than 300 trades were registered every month.

Source -

<http://www.financialexpress.com/news/sebi-renews-efforts-with-irda-for-allowing-insurance-firms-in-slb/1086510/0>

Irda, GIC come together to create insurance awareness - Financial Chronicle

In a bid to increase awareness about non-life insurance products, the Insurance Regulatory and Development Authority (Irda) along with the General Insurance Council (GICL) would be launching a consumer awareness advertising campaign. The pan-India advertisement campaign would be rolled out on television, radio and print in 11 different languages in a month's time.

The GICL is an association of 27 non-life insurance companies in the country.

R Chandrasekaran, secretary general, GICL, told Financial Chronicle, "The awareness campaign would focus on indemnity. It will tell people that in case of a damage/loss, an insurance policy can help you get back to the position before the loss."

"We are going to approach the Directorate of Audio Visual Publicity for approvals. This is the first time we are launching a co-ordinated pan India campaign to create insurance awareness. In a couple of weeks, we will be ready with the advertisements on TV, radio and print. There will be no advertisements on web and outdoor. The advertisements will be in 11 languages (English, Hindi, Marathi, Gujrati, Assamese, Oriya, Bengali, Tamil, Telugu, Kannada, Malayalam)," added Chandrasekaran.

An industry official close to the development said, "The cost is around Rs 20 crore and is largely funded by Irda."

The idea to launch a pan India insurance awareness campaign was first proposed in 2010 by the CII sub-group on health to Irda. The insurance regulator then sponsored a national survey consisting of 30,200 households in 29 states and union territories to gauge awareness, penetration and experience of insurance products in 2011.

The study found that awareness for non-life (health) insurance is low with only 54 per cent households having heard about it. A high proportion of households connected insurance with loss of life and were unaware about other types of insurance covers in the non-life insurance space. Television was the primary source of information for insurance for most households, followed by radio among rural households and newspapers as the second source of information for urban households.

The study recommended that in terms of an immediate action plan, a consumer awareness advertising campaign needed to be rolled out at the earliest that would ensure that the masses are made aware of the need and benefits of insurance.

"The communication task for the campaign should be to create awareness and to provide 'reason to buy' general insurance personal line products across motor, health, property and rural segments. The creative thought for spreading awareness has been suggested as "kal aaj aur kal" – the rewind button for an individual's life styles as insurance which indemnifies one against adverse events. The 'reason to buy' insurance for an individual has been emphasised by positioning as the solution an individual needs to adopt to have the capability to bounce back should an unforeseen event strike causing a financial loss," said Irda study on insurance awareness.

Though the non-life insurance premium underwritten grew by 23 per cent in FY12, reaching Rs 53,000 crore from Rs 43,000 crore in FY11, the growth of the industry has not led to an increase in insurance penetration (being defined as ratio of general insurance premium to national GDP). When the insurance industry opened up in 2001, the penetration level of insurance was at 2.71 per cent. After 10 years of opening up, the penetration levels of the insurance sector stands at 5.10 per cent. Out of this, the life insurance sector has penetrated at a higher level than the non-life sector. The general insurance sector penetration level was 0.55 per cent in 2000, which has risen to 0.7 per cent in 2011.

Source –

<http://www.mydigitalfc.com/insurance/irda-gic-come-together-create-insurance-awareness-322>

Life Insurance

IRDA tweaks norms for market investments - The Times of India (Mumbai edition)

Insurance Regulatory Development Authority (IRDA) on Thursday tweaked norms for insurance companies to invest their funds in different market instruments like government securities and corporate debt to channelize longterm savings into infrastructure sector.

Life insurance companies can now be invested in central government securities which should not be less than 25% of the total corpus, IRDA said in a notification.

However, the total investment in central government securities, state government securities and other approved securities cannot be less than 50% taken together.

At the same time, it has allowed life insurers to invest in housing and infrastructure bonds, with ratings of not less than AA by credit rating agencies.

The total investment in the category will not be less than 15%.

On pension funds, the guidelines said money generated from them will be invested in the government bonds, up to 40% of the fund value, while not more than 60% would be invested in other approved instruments.

As for investments in ULIP funds, the guidelines said that at least 30% of the fund value would be invested in government securities and 5% can be invested in housing and infrastructure bonds.

The remaining can be invested in the other approved investment categories.

Source –

<http://epaper.timesofindia.com/Default/Scripting/ArticleWin.asp?From=Archive&Source=Page&Skin=TOINew&BaseHref=TOI/2013/03/08&PageLabel=24&EntityId=Ar02403&ViewMode=HTML>

Insurers, agents shift focus to renewal premiums - Business Standard

With growth in life insurers' new premium business declining, insurers and agents are increasingly shifting focus to renewal premiums.

In April-December period, growth in new premium income of life insurance companies fell 3.5 per cent to Rs 69,184.5 crore, compared with Rs 71,953.5 crore in the year-ago period. According to data from the Insurance Regulatory and Development Authority (Irda), private life insurers collected Rs 18,907.1 crore from new policies in the April-December period, a fall of about five per cent from Rs 19,901.1 crore collected in the corresponding period of the previous year.

G N Agarwal, chief executive and chief actuary of Future Generali India Life Insurance, said insurers planned to increase renewal premium collections. As agents received

renewal commissions and they didn't want to lose clients due to policies lapsing, they, too, were focusing on renewals, he added.

Today, a traditional insurance product (term or endowment) typically earns agents 30-35 per cent of the first-year premium, seven-eight per cent of the second-year premium and four-five per cent of the premium during the rest of the policy term. For unit-linked insurance plans (Ulips), they earn up to seven per cent in first year and five per cent thereafter. Online term plans fetch agents six per cent, albeit only in the first year.

A senior executive with a private life insurer said agents played a major role in renewals, as their commissions and licence renewal depended on renewals. "In product categories like Ulips, in which there is a fluctuation in market conditions, many policies have lapsed. It is in these situations that renewals play a big role," he said.

According to Irda guidelines on the persistency of life insurance policies for individual agents, for renewals before 2014-15, the average persistency rate for an agent for 2011-12, 2012-13 and 2013-14 would be at least 50 per cent, in terms of the policies and premium procured by such agent. From 2014-15, the rate for each agent would be at least 75 per cent.

In the health insurance space, too, insurers are looking to tap the renewal premium market. "Agents are finding it tough to acquire new business, as convincing new clients to buy a policy is getting difficult these days. This is because most think nothing can happen to them, a typical Indian psyche," said a senior Tata AIG General Insurance executive.

Tapan Singhel, managing director and chief executive of Bajaj Allianz General Insurance, said earlier, private general insurers focused on new business, as they were of building their businesses. "But now, both insurers and agents have turned their efforts to renewals, a bigger proportion of the total premium income compared to new business premium," he said.

Agents are drawn to the renewal business because commission for health insurance agents from new business and renewal business is the same---15 per cent.

Experts say customers contact agents during renewals. Though client retention is challenging, it is tougher to secure new clients, as only those aged more than 45 buy individual health plans. And, the underwriting norms for this group vary across insurers. As a result, the agent spends more time in closing the business. Renewing a business, however, isn't difficult.

Companies are also strengthening their back-office infrastructure to ensure smooth policy renewals. Many general insurance companies now have in-house renewal businesses so that agents can concentrate on new business. For instance, Tata AIG General Insurance has set up a 'rollover shoppe model' for policy renewals. Through this, the company plans to extend all the help that agents do for policies due for renewal. Some also look at addressing client retention. In such cases, agents are paid lower commissions--between seven and 10 per cent. For large insurance companies, this helps cut costs, as paying commission is more expensive than the one-time expenditure on infrastructure for renewal business.

According to Irda's annual report for 2011-12, while renewal

premiums accounted for 60.3 per cent of the premium of life insurers (56.7 per cent in 2010-11), first-year premiums contributed the rest. In 2011-12, of the total premium of Rs 84,182.8 crore for private life insurers, renewal premiums accounted for Rs 52,102.9 crore.

Source -

http://www.business-standard.com/article/finance/insurers-agents-shift-focus-to-renewal-premiums-113030800002_1.html

Insuring insurance - The Financial Express

Ever since the insurance regulator IRDA clamped down on commissions to agents for Unit Linked Insurance Products (ULIPs) in September 2010, life insurers have found the going tough. Business has been hard to come by; first year premiums fell nearly 10% year-on-year in 2011-12 and 6% year-on-year between April 2012 and January 2013. There is little doubt that, at 40% of the premium paid, the commissions were usurious. But the impact of lowering commissions to 7% in the first year has been that ULIPs today account for barely 20% of the market from 80% two-and-a-half years back. While private life insurers had moved on to focussing on what are called traditional non-participating products—products in which returns are linked to yields on gilts and similar products—IRDA has now come down on commissions for such products too, capping them at 15% of the premium paid in the first year, sharply lower than the 40% that was allowed so far. The maximum commission that agents can earn in subsequent years too has been lowered. Around 6 lakh agents have quit the business since norms for ULIPs were changed.

More restrictions have also been put in place to ensure those buying insurance don't exit in a hurry. So agents lose out on commissions if life insurance policies are terminated before 15 years are over. Policyholders, similarly, have to pay a minimum number of premiums on pure-term products and new rules have been put in place to raise the level of cover to at least 10 times the annual premium paid by those below the age of 45. While the idea may be to encourage savings over the long term, the net result has been, according to IRDA's annual report, overall insurance penetration slipping to 4.1% in 2011 from 5.1% in 2010.

While IRDA's policies are aimed at cleaning up the market, this has to be seen in the context of households saving a smaller share in financial products. If insurance rules are to be made more stringent—cutting commissions if policies are terminated before 15 years is a good move from this point of view—this cannot be matched with reducing overall commissions. Products like those sold by insurance firms offer less flexibility to buyers and so, by definition, need greater selling efforts. It's time various regulators, from Sebi to IRDA, sat down and took stock of why financial savings are falling and discussed with industry ways to fix this.

Source -

<http://www.financialexpress.com/news/fe-editorial-insuring-insurance/1086065/0#>

Norms issued for unit-linked insurance products - The Hindu Business Line

Independent rating agencies will now be allowed to evaluate unit linked insurance funds of insurance companies to help policyholders better assess and compare insurance products, according to the guidelines notified by the insurance regulator.

The information will give policyholders clarity on operational practices, fund management quality, and organisational strength of life insurers. The Insurance Regulatory and Development Authority (IRDA) has notified the comprehensive linked insurance product guidelines in the gazette.

CAPS YIELD REDUCTION

IRDA has asked life insurers to disclose the reduction in yield (refers to the lowering of return of a fund on account of the various charges) on a monthly basis to customers of unit linked products.

The regulator has capped the reduction in yield at 4 per cent for policies with five-year tenure, 3 per cent for 10-year tenure and 2.25 per cent for more than 15 years. In case the limit is not adhered to, insurers will have to add more units to the policyholder's account and maintain the fund value at the prescribed limit.

The regulator has also defined the commission structure for insurance agents and brokers. For a premium paying term of 5 years, commission for agents cannot exceed 15 per cent in the first year, 7.5 per cent in the second year and 5 per cent from the third year onwards.

If a premium payment is discontinued by the policyholder, the regulator has prescribed a minimum guaranteed interest rate at 4 per cent on such premiums parked in the discontinued fund.

VARIABLE PLANS

Insurers can now offer variable insurance plans (VIPs) (where benefits of the product are dependent on the performance of the approved index linked). This was earlier offered for traditional products but can now be offered on linked products with a non-negative rate of return.

"The death benefit offered under VIP will include sum assured mentioned in the policy document, along with balance in the policy account," said IRDA

The insurers have been given time till June 30 (for group products) and September 30 (for individual products) to adhere to the new guidelines.

Source -

<http://www.thehindubusinessline.com/industry-and-economy/banking/norms-issued-for-unitlinked-insurance-products/article4497769.ece>

General Insurance

Non-life insurers plan disaster fund - The Times of India

Non-life insurers are working on a catastrophic fund to provide relief to victims of natural calamities such as cyclone, floods, earthquake and tsunami. Insurers are in talks with the National Disaster Management Authority (NDMA) and state governments to set up a fund that will take care of providing immediate relief to victims.

"At present, authorities clear the relief package after the disaster. A catastrophe insurance will ensure that, rather than wait for relief, the cover will provide pre-defined compensation to the victims," said G Srinivasan, chairman, New India Assurance. "I have recently met with the chief

minister of Orissa state and put forward the proposal of a catastrophe cover."

He added that the cover would have a pool structure in which, besides insurance companies, the NDMA could also make its fund available.

"Insurance companies can provide a layer of support and get support from reinsurers. The government can also chip in," said Srinivasan.

Insurers say that the cover could be either designed separately with state government or there could be a central pool for all states. In India, states like Orissa and Andhra on the East Coast and Gujarat on the West have been regularly affected by disasters. The Himalayan states have also been affected by earthquakes in the past.

According to Swiss Re, economic losses from natural catastrophes and man-made disasters may reach at least \$140 billion in 2012. The world disaster claims are largely from the United States which dominates every year because of hurricanes on the East coast. Of the economic losses of \$140 billion, over \$65 billion is likely to be borne by reinsurers. This means that the cost of the claims is spread around companies across the world.

Although natural disasters in India rank among the highest in terms of human casualties, there is hardly any impact on the insurance industry because the worst affected are the poor with little assets and no insurance.

Most of the countries that are frequently subject to natural disasters, such as US on the Gulf coast and Japan, have their own insurance programmes to cover such disasters.

Source -

http://articles.timesofindia.indiatimes.com/2013-03-08/mumbai/37560172_1_natural-disasters-ndma-catastrophe-insurance

Special Insurance Fund for Iranian Oil Imports - The Economic Times (Delhi edition)

India will set up a special fund to provide insurance to public and private refineries to overcome obstacles from global reinsurers who are not providing cover to Indian oil companies because of sanctions against Iran.

The government is working on a proposal to set up an insurance pool account, which will be funded by both insurance and oil companies and they will share insurance risk, said two officials, working in different government departments, requesting anonymity.

Global re-insurers have recently stopped covering risks of Indian refineries processing Iranian crude oil, pressurizing them to stop crude import from Iran. Officials said finance and oil ministries are preparing the proposal, which will be finalized in consultation with the ministry of external affairs and the Prime Minister's Office.

The move will help all refineries importing crude oil from Iran, particularly, Mangalore Refinery & Petrochemicals. This cover will also be available to private company Essar. After all it is also (an) Indian company," one official with direct knowledge of the matter said.

Pension

New pension rules - The Financial Express

The Pension Fund Regulatory and Development Authority (PFRDA) decision to allow pension fund managers of the New Pension Scheme (NPS) to do active fund management—they can now invest in a larger universe of 150 or so stocks listed on NSE and BSE—instead of just investing in/replicating an index fund based on the Nifty or the Sensex appears a good idea since it gives subscribers the option of higher returns. There is, of course, the need to be careful for a variety of reasons. One, as long as fund managers were just imitating an index fund, there was no need to watch over their conduct—presumably this means PFRDA will have to be more watchful. Two, while Sebi has enough checks and balances to ensure mutual fund managers don't do anything wrong, mutual funds offer many exit options whereas pension funds by their very nature don't. There is also the issue of whether a largely financially illiterate population feels more comfortable with a pension manager who invests half their contributions—the ceiling on equity investments is 50%—in an index-based fund vis a vis active management of a portfolio. But presumably this is something the market will take care of—fund managers not doing active investments will tend to have lower charges and if subscribers feel more comfortable with passive investments based on index funds, that is what the market will offer. Allowing active investments, at the end of the day, is just another choice being made available.

Indeed, while NPS has a default option where the proportion of funds invested in equity reduces as a subscriber gets older, it may be a good idea to see if a large proportion can be allowed where subscribers specifically want it. Investing in debt may be a safe option, but if debt is giving a return of 8% versus an inflation level of 9%, the only thing that is sure is that effective savings are being eroded with each passing year. NPS, however, has many other serious problems that need tackling. There is, for instance, no secure payment collection system today—a Near Field Communication-based mobile payments gateway of the type used by banking correspondents would ensure there was no siphoning off of funds by collection agents. Two, though the government put in place a R1,000 co-contribution for each new subscriber in NPS provided the subscriber is not covered under any government pension scheme, the system is not working since, in many cases, poorer subscribers can put in R700 but not R1,000—surely some flexibility needs to be built in. By far the largest problem, however, remains the monopoly given to NSDL, which is the NPS's central record-keeping agency (CRA). CRA charges add up to, in many cases, even as much as 10% of contributions. This is easily solved by granting more CRA licenses but, for some reason, this has not been done. In many ways, the benefits of the lower fees charged by fund managers are taken away by the higher CRA charges.

Source -

<http://www.financialexpress.com/news/fe-editorial-new-pension-rules/1084787/0#>

Mangalore Refinery & Petrochemicals (MRPL) is the worst affected by the sanctions as it is the biggest buyer of Iranian crude oil. Recently, MRPL managing director PP Upadhy had reportedly said that the refinery would stop purchasing crude oil from Iran unless its risks are covered. At present, Indian general insurers provide cover to oil firms and then reinsure the risk with global re-insurers. But under US and EU sanctions, the global insurers provide re-insurance with "sanction clause", which limit the amount to be paid in case a claim arises.

"So, if we have a re-insurance of say . 1,000 crore, the amount paid under a claim can be as less as . 100 crore under the clauses, which leaves us no option but to introduce similar clause when we take on an insurance cover of an oil refinery," explained the head of a general insurance firm.

Source -

<http://epaper.timesofindia.com/Default/Scripting/ArticleWin.asp?From=Archive&Source=Page&Skin=ETNEW&BaseHref=ETD/2013/03/13&PageLabel=23&EntityId=Ar02302&ViewMode=HTML>

Valuation method changed for listing of general insurers - The Hindu Business Line

The Insurance Regulatory Development Authority has scrapped the embedded value requirement for listing of general insurance companies on stock exchanges in the final guidelines issued in the gazette.

Instead of the embedded-value method of valuation, general insurance companies will be required to make additional disclosures on risk factors specific to them, adequacy of premiums, reserves, asset-liability management, and current financial condition.

Embedded value, an actuarial practice used to value an insurance company, is the present value of the future profits expected from the business.

In the draft guidelines issued earlier, IRDA after consultations with SEBI, suggested that the embedded value should be double the share capital for listing of a general insurance company.

However, during discussions on the draft guidelines with regulator, the general insurers sought removal of this provision as general insurance is a transient business whereas life insurance policies are long-term contracts.

IRDA has said that only those companies, which have been in operation for 10 years, will be entitled to bring out an IPO. The approval granted by the authority would be valid only for a year, within which the company has to file the Draft Red Herring Prospectus with Securities and Exchange Board of India.

The criteria for approval for insurers will be their overall financial position, its regulatory record, the proposal of issue/offer of capital, the capital structure post issue, history of compliance with regulatory requirements and the maintenance of solvency margin.

Source -

<http://www.thehindubusinessline.com/industry-and-economy/banking/valuation-method-changed-for-listing-of-general-insurers/article4505229.ece>

IRDA Circular

The IRDA (Insurance Regulatory and Development Authority of India) has published updated List of Life Insurance Companies from India vide their circular dated 11th March, 2013.

Source -

<http://www.irda.gov.in/ADMINCMS/cms/NormalData/Layout.aspx?page=PageNo129>

The IRDA (Insurance Regulatory and Development Authority of India) has published updated List of Third Party Administrators (TPA) from India vide their circular dated 12th March, 2013.

Source -

<http://www.irda.gov.in/ADMINCMS/cms/NormalData/Layout.aspx?page=PageNo646>

Global News

Demand for transactional risk insurance grows – Marsh

Demand for transactional risk insurance grew by 41% globally in 2012 as firms turned to the insurance market to protect large deals and cross-border acquisitions or sales, says Marsh. According to a report issued today by Marsh's Private Equity and Mergers & Acquisitions Services (PEMA) practice, 'M&A Transactional Risk Solutions: 2012 Global Review', the limits of insurance placed by Marsh in 2012, compared to 2011, by geography were:

- Europe, the Middle East and Africa (EMEA): \$2.2bn (\$1.7bn)
- Asia Pacific: \$423m (\$387m)
- Americas: \$1.4bn (\$768m)

The most pronounced increase in policy limits for transactional risk insurance was in North America, up 86% during 2012.

According to Marsh, this upward trend is being driven by an increased use of transactional risk insurance on deals in excess of \$100m (£67m) by clients operating in North America.

Marsh's senior vice-president in the PEMA practice and head of its UK transactional risk team, Lorraine Lloyd-Thomas, said: "Overseas buyers seeking acquisitions in North America are increasingly cautious about entering the market, given the uncertainties surrounding economic recovery and the enhanced emphasis on regulation.

"Conversely, many North American clients are approaching deals in EMEA and Asia Pacific with similar trepidation. As a result, these corporate buyers are leveraging transactional risk insurance solutions to mitigate risk and provide the comfort required to proceed with their transactions."

Marsh's report also noted growth in warranty and indemnity (W&I) insurance in the global infrastructure sector, ranging from simplistic deals relating to wind farms to complex assets such as those owned by utilities and regulated by government agencies.

"Demand for W&I insurance is growing significantly in the

global infrastructure investment community. It enables infrastructure funds to exit their investments with minimal warranty exposures, or make their deals more attractive to potential bidders, hopefully resulting in a higher price," said Lloyd-Thomas.

Source -

<http://www.globalreinsurance.com/demand-for-transactional-risk-insurance-grows-marsh/1401557.article>

China 'still unsure' about creating financial mega-regulator

Chinese reform researchers are still unsure about whether the country should create a financial super-regulator to oversee the banking, securities and insurance sectors, an official involved in drafting China's latest cabinet reshuffling plan said Monday.

"The issue is quite complicated," Wang Feng, deputy director of the State Commission Office for Public Sector Reform (SCOPSR), said at a press conference while explaining why the central government has refrained from reforming its current financial regulatory bodies in its latest institutional reform package.

He said policymakers have noticed that a financial regulator with mixed operations is a trend in other countries, compared with a single regulator supervising the banking, securities and insurance sectors, respectively.

China currently has the China Banking Regulatory Commission to oversee the banking sector, the China Securities Regulatory Commission to supervise the equity markets and the China Insurance Regulatory Commission to regulate the insurance sector.

"Should we change the existing method of regulation? We don't know. Is it the time now? We don't know," Wang said, "So let's take a cautious attitude and have a look first."

He said resistance from groups with vested interest is inevitable in any reform.

SCOPSR has been widely involved in drafting a plan to restructure ministerial-level departments inside China's cabinet. However, the possible creation of mega-ministries in the energy, culture and finance sectors is not on the State Council's reform agenda.

The State Council on Sunday announced a plan to dismantle the Ministry of Railways, integrate the Ministry of Health and the National Population and Family Planning Commission and merge the country's press and broadcasting regulators to oversee the press, publication, radio, film and television sectors, as well as reorganize the existing State Food and Drug Administration, the State Oceanic Administration and the National Energy Administration.

If the restructuring package is approved by the top legislature, the State Council will cut its ministerial departments to 25 from 27, as it has acknowledged that the government focused too much on micromanagement.

Source -

http://africa.chinadaily.com.cn/business/2013-03/12/content_16301079.htm

Pakistan: Regulator pledges to create favourable insurance environment

The Security Exchange Commission of Pakistan (SECP) is committed to play a facilitating role in increasing the insurance penetration in the country and engaging stakeholders in policy dialogue and frequent communication with the industry.

The SECP Commissioner (Insurance), Muhammad Asif Arif, says that the regulator is striving too for effective supervision of the sector in order to ensure compliance with the laws, while increasing the level of financial strength and transparency in the insurance industry. For instance, new solvency rules for insurance companies have been finalised and will be released soon. Work is also being done to draft rules for microinsurance.

The SECP's remarks are contained in a statement issued after a roundtable organised by the regulator, with representatives from public and private sector insurance companies, to discuss the insurance industry's strategic development. The stakeholders talked about the development of a sound regulatory framework for various areas including takaful, microinsurance, long-term saving plans and pension schemes by insurance companies, and the establishment of a terrorism insurance pool.

Mr Asif gave reassurances that the SECP will create an enabling environment through policy reforms, where the insurance industry and the regulator are seen as partners in growth.

The SECP will continually share ideas with the industry to be adaptive to the prudential systems to ensure that in this period of greater freedom and competition, the benefits of regulation are maximised, while costs are minimised, he says.

Source –

<http://www.irc.ac.ir/en/news/news.php?newsid=276>

Asian insurers show regained interest in overseas fixed-income funds

Asian insurers are regaining interest in overseas fixed-income assets, after a drop-off in demand since 2008, when many insurers in the region stopped investing offshore amid general risk aversion, reports Asian Investor.

Ms Charmian Wan, Head of Sales – Asia, at BlueBay Asset Management, says she has seen more interest from insurers in her company's fixed income funds the past six months or so. "There have been a lot of conversations and there's a strong pipeline of potential business," she says, adding that a wide range of asset types are being discussed, many with an investment-grade component to them across both developed and emerging markets.

Asian investors are also for the first time looking at less traditional fixed-income plays such as convertible bond mutual funds, she says.

One reason for the growing interest in convertible bonds (CBs) is that many investors have been very underweight in stocks the past couple of years, and there is now some interest to move back to equities, says Ms Wan. This is driven by concerns about compression in bond yields and more positive growth outlook in some parts of the world, she adds.

Source –

<http://www.meinsurancereview.com/News/View-NewsLetter-Article/id/27171/Type/eDaily/Asian-insurers-show-regained-interest-in-overseas-fixed-income-funds>

Bangladesh allows unlimited FDI in domestic insurers

Foreign players will now be able to invest in domestic insurers with no cap on the purchase or retention of shares, reports the Financial Express. The Bangladesh Insurance Association expects the new rules to boost the flow of foreign direct investment and ensure competitiveness in the industry.

Any foreign company seeking to invest in a Bangladesh insurer will need to provide the names and addresses of their board of directors, along with their holdings and past three years' financial statements, to the Insurance Development & Regulatory Authority (IDRA).

Foreign companies will also have to make their transactions through authorised dealers for purchasing their shares in the local insurers.

Source –

<http://www.asiainsurancereview.com/News/View-NewsLetter-Article/id/27164/Type/eDaily>

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