Insurance Institute of India

G Block, Plot No. C-46, Bandra Kurla Complex, Bandra (East), Mumbai – 400051.

Newsletter

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Insurance Industry

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News	Insurance, pension Bills unlikely to get finance panel nod before House session
Newspaper	The Indian Express
Source	http://www.indianexpress.com/news/insurance-pension-bills-unlikely-to-get-finance-panel-nod-before-house-session/820769/0

A day after Finance Minister Pranab Mukherjee expressed hope that at least some key economic Bills will be enacted soon, two key financial sector reforms Bills — on insurance and pension — are unlikely to be cleared by the Standing Committee on Finance in time for the upcoming Monsoon Session of Parliament that starts from August 1.

While the committee is yet to finalise its views on the Insurance Laws Amendment Bill 2008, it held its first meeting on Thursday to discuss the Pension Fund Regulatory and Development Authority (PFRDA) Bill, 2011 and is understood to have asked the finance ministry some tough questions on its intentions regarding the pension sector.

“Neither of the Bills will be ready for discussion in the Monsoon session as the committee is still working on them,” a person close to the development said. The panel however is likely to finalise its report on the Banking Laws (Amendment) Bill, 2011, which seeks to raise the ceiling on voting rights of shareholders of nationalised banks to 10 per cent

Insurance Regulation

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News	Regulator tightens solvency guidelines
Newspaper	Financial Chronicle
Source	http://www.mydigitalfc.com/insurance/regulator-tightens-solvency-guidelines-825

After a one-year reprieve, the Insurance Regulatory and Development Authority (Irda) has tightened solvency norms for insurance companies beginning this year itself.

Irda chairman J Hari Narayan said, “We are very clear about tightening capital guidelines. All the insurers will have to comply with a solvency margin of 150 per cent.”

For the financial year 2010-11, Irda had relaxed the norms to 130 per cent. Solvency ratio pertains to capital and value of assets that insurers have to maintain over their insured liabilities. The ratios would have to be gradually raised and the process would start from this year itself, he added.

Hari Narayan made it clear and said, “The relaxation is an only one-time reprieve. It cannot continue forever.” The regulator’s firm stance implied that insurers would have to reach the enhanced solvency ratio effective from this year. Under the guidelines, the insurers would have to raise solvency ratio to 137 per cent this year, 145 per cent the following year and 150 per cent by third year.

Solvency, however, was not a major issue with public sector insurers, top PSU officials said. Life Insurance Corporation of India, New India Assurance Company, United India Insurance Company and National Insurance Company maintain solvency ratios of over two times their insured liabilities. However, for Oriental Insurance Company (OICL), solvency was an issue after the insurer made large provisions on its motor third-party insurance pool liabilities. OICL officials said that they were asked to make a provision of Rs 350 crore, resulting in shrinking the solvency ratio of the insurer to just 134 per cent.

For private sector insurance companies, the enhanced ratios mean that they would have to bring in additional capital to buffer the solvency margins, particularly the general insurance companies. Pawan Aggarwal, director of rating at Crisil, an independent rating agency, said, “Depending on the regulatory requirements and business plan, the companies will have to bring in additional capital.”

Insurers that had fallen short of solvency ratios included Reliance General Insurance. Reliance General Insurance’s solvency ratio was only 1.15 times the insured liabilities. This was despite the high recourse to the reinsurance market, according to its annual report for the last financial year.

For life insurers in the private sector, the tight solvency regime has prompted them to push only Ulips with an add-on term insurance plan, where the investment risk was entirely on policyholders. Ulips account for almost 80 per cent of the portfolios of private sector life insurers.

General Insurance

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News	Irda for change in motor vehicle law to insure drivers
Newspaper	The Indian Express
Source	http://www.indianexpress.com/news/irda-for-change-in-motor-vehicle-law-to-insu/821065/

The cost of vehicle ownership may go up further as the insurance regulator Irda is planning to make it mandatory for drivers to insure themselves.

“In other countries the driver is insured as accidents are caused by drivers and not the vehicles, and I think we will get there (insuring the driver),” Insurance Regulatory and Development Authority J Hari Narayan said here today.

Talking to the media on the sidelines of an industry event, he said, “the motor vehicle law must change. The present requirement is to insure the vehicle and not the driver. I think the requirement should shift from the vehicle to the driver. In other countries this already is the rule”.

Already the cost of vehicle ownership has gone up from April when the third-party motor insurance premium was raised by up to 65 per cent for two-wheelers, private cars and heavy load carriers.

Health Insurance

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News	Government's health insurance scheme to cover seven sectors
Newspaper	The Economic Times
Source	http://articles.economictimes.indiatimes.com/2011-07-23/news/29806571_1_health-insurance-scheme-labour-ministry-unorganised-sector

NEW DELHI: India's flagship health insurance scheme may soon be extended to cover seven more unorganized sectors, as the government gradually expands its scope to include most of the workers engaged in informal vocations.

The labour ministry, in separate Cabinet notes, has proposed to expand the Rashtriya Swasthya Bima Yojana to include rag pickers, rickshaw pullers, taxi and autorickshaw drivers, miners, sanitation workers and toddy workers.

"Our aim is to gradually cover all workers in the unorganised sector," a ministry official said. The ministry circulates separate Cabinet notes for individual sectors to ensure that if differences crop up among Cabinet members on a particular sector, it does not hold back approval for other sectors.