Insurance Institute of India

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INSUNEWS

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INSIDE THE ISSUE

Insurance Industry

Digitising policies won't cost insurers much: CAMSRep - Business Standard

S V Ramanan, chief executive officer of CAMS Repository Service (CAMSRep), has said digitising of insurance policies would involve only a nominal cost. CAMSRep, Computer Age Management Services (CAMS)'s insurance repository, has been authorised by the Insurance Regulatory and Development Authority (Irda) to act as an insurance repository.

"Though different insurers will have different arrangements with each insurance repository, the charges will be nominal. On an average, it could be Rs 75-80 for digitising policies per person; the annual servicing fee could be Rs 800-1,000. This is nominal, compared to the amounts spent by insurers to maintain physical documents," Ramanan said.

An insurance repository is a facility to help policyholders buy and keep insurance policies in electronic form. Customers can opt for portability—shifting from one repository to another. For this, they would be given a new e-insurance account.

Currently, there are about 330 million life insurance policies and 90 million general insurance policies in the country. Irda's estimates suggest companies spend Rs 150-200 per customer annually in maintaining policies in physical form. Irda's initiative to digitise policies is expected to help the industry save about Rs 100 crore annually.

CAMSRep also provides outsourcing services to insurance companies, including new policy applications, agent enrolments, welcome calling and persistency calling. In these segments, it has 14 clients—12 life insurers and two general insurers.

Ramanan said the company had 1,600 e-insurance accounts, and this number was rising rapidly. It was considering having more licentiate and associate fellows, he said. Currently, it has about 35 licentiates. Ramanan said CAMSRep was a neutral entity, without any conflict of interest with insurers or brokers/agents.

"We have many channel partners with conflicting businesses. Hence, confidentiality of customer data is guaranteed," he added. The service delivery model, he said, was spread across about 380 locations. CAMSRep plans to have 1,00,000 accounts by the end of this financial year. In the next few weeks, it plans to tie-up with 12 insurance companies.

All transactions between insurers and the repository are carried out on the i-Trex platform. So far, Irda has only allowed digitisation of life insurance policies. Ramanan said he expected a go-ahead for digitisation of general insurance policies by December. CAMSRep is in talks with the four state owned general insurers---New India Assurance, National Insurance, United India and Oriental Insurance---and a large private general insurer for possible tie-ups, once Irda gives the nod. Initially, medical and motor insurance policies could be offered in e-format.

Source

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IRDA Regulation

E-KYC to be accepted for verification: Irda - Business Standard

Insurance Regulatory and Development Authority (Irda) said on Monday that the e-KYC (electronic know-your-customer) services operationalised by the Unique Identification Authority of India (UIDAI) will be accepted as valid KYC process for insurance.

Earlier, Irda had informed insurers that a letter issued by the UIDAI containing details such as name, address and Aadhaar number was a valid document for customer identification.

UIDAI had operationalised e-KYC services recently. "The acceptability of these services for KYC purposes under the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, was discussed with the Department of Revenue, Ministry of Finance and operational issues were taken up with the insurers," Irda said in a circular. It pointed out that the finance ministry has said e-KYC services may be accepted as a valid process for KYC verification under the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005. In the light of this, "it has been decided that e-KYC services of UIDAI is acceptable for KYC verification subject to specific and express consent of the customer to access his/her data through UIDAI system", Irda noted.

Source

The regulator added in cases where e-KYC services are availed for KYC verification, certification requirements under earlier guidelines of anti-money laundering shall be deemed to be complied with.

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General Insurance

Company deposit plans to need insurance cover - Financial Chronicle

To safeguard investors from fraudulent money-collection schemes, the government on Tuesday proposed mandatory insurance cover for public deposits garnered by companies and hefty penalty of up to 18 per cent annual interest for defaulters.

The premium of the deposit insurance cover would need to be paid by companies themselves and a penalty at an annualised interest rate of 15 per cent would be slapped on those which do not provide a deposit insurance to their depositors.

The proposed measures, which form part of the draft rules for the new Companies Act, also bar the companies from promising huge returns and hefty agent commissions in excess of the prevailing rates prescribed by the Reserve Bank of India (RBI) for such deposits. Releasing the draft rules, the corporate affairs ministry said that action would be initiated against the companies that fail to comply with the new rules, called Regulations for Acceptance of Deposits by Companies.

Besides, any violating company and each of its officers and other persons, who could be in default, would be punishable with be fined Rs 10,000, with a further fine for continuing default of Rs 1,000 for every day of contravention.

Under the deposit insurance scheme, the companies would need to enter into a contract to insure the total principal amount as also the promised interest component for the depositors. However, premium to be paid for such insurance cannot be recovered from the depositor and the money has to be paid by the company itself.

All deposit-taking companies would need to maintain a deposit repayment reserve account with a scheduled bank and this account would need to have at least 15 per cent of the total amount of deposits. The government also proposed strict disclosure norms and other eligibility criteria before offering any deposit scheme.

Source

Every company inviting deposits should provide for security by way of a charge on its assets, excluding intangible assets, for an amount equivalent to the deposits collected. Also, amount secured by way of charge on assets should not exceed the market value of such assets.

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Insurance scheme to all stages of agricultural production - The Economic Times

The Modified National Agriculture Insurance Scheme (MNAIS), which has been made applicable to paddy crop, is an all comprehensive one, which covers everything from the pre-sowing stage to post harvest operations, a senior official said here today.

Source

MNAIS Special Officer A Antha said at an awareness programme organised by the district administration here today that if paddy could not be sowed or if growth of the standing crop is adversely effected or if its yield is reduced after harvest due to adverse seasonal conditions, insurance benefit could be claimed.

Reinsurance

Lloyd's puts conditions for Indian entry - The Indian Express

The mega plan of state-owned reinsurer General Insurance Corporation of India (GIC Re) to become a member of Lloyd's market, the Mecca of insurance companies, is not going to work out unless the country opens up the insurance sector further.

Putting conditions for the Indian reinsurer's entry into the Lloyd's market, a top official and board member of Lloyd's UK said the Indian company can think of joining Lloyd's only after India allows more foreign investment in the insurance sector.

When contacted, an official spokesperson of Lloyd's said, "We will not be able to offer additional support from within India unless there are changes to the law to allow foreign reinsurers to establish reinsurance branches on the ground. That is a public policy decision for the Indian government and Parliament to make."

On a specific question whether there is any condition from the Lloyd's side which can be a barrier in GIC Re's efforts to take over a Lloyd's syndicate, the spokesperson said, "Lloyd's does not talk about individual applications or expressions of interest to join the Lloyd's market.''

"Entry into the Lloyd's market is subject to Lloyd's approval and we have rigorous criteria against which all applications are considered. Each application will be considered on its individual merits," the spokersperson said. Lloyd's is keen to play its part in India's success story and we already provide important reinsurance support to the local market, he said.

Earlier AK Roy, CMD, GIC Re had announced that the national reinsurer is planning to acquire a syndicate - through which Lloyd's market does business — to strengthen its financial standing in the global reinsurance market.

"We haven't decided as yet. We shall continue looking at the opportunities to do so," said Roy. The insurance bill, pending in the Rajya Sabha since 2008, provides for increasing the foreign investment limit in the sector to 49 per cent from 26 per cent. The Standing Committee on Finance, headed by senior BJP leader Yashwant Sinha, did not favour raising the FDI ceiling. finance minister P Chidambaram recently said the bill will be taken up in the winter session of Parliament.

Source

Unlike many other insurance brands, Lloyd's is not a company; it's a market where members join together as syndicates to insure risk. Much of Lloyd's business works by subscription, where more than one syndicate takes a share of the same risk.

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Survey & Reports

Indian insurers' IT spending to reach Rs 117 bn in 2014: Gartner - The Economic Times

To increase their reach, Indian insurers are focusing more on technology and companies spending on IT products and services are likely to increase by more than nine per cent in 2014 to reach Rs 11,700 crore, according to Gartner.

"Insurance spending on IT will increase more than nine per cent in 2014 to reach Rs 117 billion," the IT research and advisory firm said in a release.
The IT spending will increase by 16 per cent to Rs 10,700 crore this year from last year, Gartner said.

This forecast includes spending by insurers on internal IT (including personnel), hardware, software, external IT services and telecommunications.

IT services will not only be the biggest spending segment for the insurance industry in 2014, but it will also be the fastest growing at 16.2 per cent in 2014, it pointed out.

This growth rate is continuing to be driven by strong uptake of business process outsourcing (BPO) at 24.1 per cent and consulting at 20.1 per cent.

Growth is also strong for enterprise software at 20 per cent, especially customer relationship management (CRM).

Source

"Insurers in India are also looking to digitalise their processes - especially at the front end," Gartner principal analyst Derry Finkeldey said.

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Global News

Home insurance premiums fall for sixth consecutive quarter – Insurance Times, UK

AA figures reveal rates dropped by 6.6% over the past 12 months

Home insurance premiums have continued to fall for a sixth consecutive quarter, with the average combined buildings and contents premium dropping by 6.6% over the 12 months to the end of September.

The AA Shoparound Index update for Q3 2013 revealed the average UK home premium was £172.86 as at 30 September.

Individual buildings insurance was down 5.8% to £129.44 and contents insurance was down 3.8% in the same period to £69.28.

This drop has been attributed to the relatively benign weather, which has meant there has not been an influx of major claims.

But AA Insurance director Simon Douglas said a severe winter would reverse the trend in the short term and also raised concerns that flooding would lead to a sharp spike in premiums.

Douglas added: “Already this month we are seeing some localised extremes of weather causing flooding in places with no previous record of flooding.

“We are in a competitive market and rate reductions are still being made, but in the longer term, major flooding for example could lead to sharp premium rises, particularly for buildings cover.

Source

“This is what happened after the 2007 floods. Otherwise, I believe that home premiums will continue to offer good value for money.”

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Bangladesh: Garment industry to see hike in insurance premiums – Asia Insurance Review

The Insurance Development and Regulatory Authority (IDRA) looks set to increase rates for fire, marine and miscellaneous insurance for garment manufacturers, after nearly 10 years of the rates remaining unchanged.

Since 2004, on every BDT100 (US$1.28) of fire and marine cover, the members of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) have been paying BDT0.17 and BDT0.19 as monthly premium respectively. In comparison, the members of the Bangladesh Textile Mills Association (BTMA) pay BDT0.29 and BDT0.30 respectively, reports The Daily Star newspaper.

“It will take a couple of months to review the premium rates of all kinds of insurance,” Mr M Shefaq Ahmed, president of IDRA, said, adding that not all premium rates would be increased.

Mr Atiqul Islam, president of BGMEA, says that an increase in premiums will have an adverse effect on the garment industry, which is currently under pressure to raise factory standards and wages. He urges IDRA to negotiate with the association before taking any decision.

On the other hand, Mr Jahangir Alamin, President of BTMA, demands that insurance premium rates for textile firms be reduced to the same level as those for garment firms.

BKMEA Director Fazlul Hoque says that any insurance premium increase would be "too much to absorb" for the industry.

At present, garment factory owners and workers are locked in clashes over wages. The workers want the minimum wage, which was last raised in 2010, to rise to BDT8,000 a month — 2.5 times the current rate.

However, factory owners are counter-offering BDT3,600. Garment workers staged a wave of labour strikes that hit nearly a fifth of factories in the country last month.

Source

IDRA is expected to tread cautiously in revising premiums as textiles, clothing, and ready-made garments account for nearly 80 percent of Bangladesh's total merchandise exports.