Insurance Institute of India
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INSUNEWS

- Weekly e-Newsletter

19th – 25th August 2016

● Quote for the Week ●

"Fear is just a line in your head. You can choose what side of that line you want to be on."

Sabeen Mahmud,
the late Pakistani human rights activist

INSIDE THE ISSUE

Source

Insurance Industry

Banks, Beware: Mis-sell Insurance & You're in Trouble - The Economic Times (Kolkata) – 25th August 2016

Irdai to hold banks accountable for investment advice they provide as complaints about mis selling rise.

The Insurance Regulatory & Development Authority of India (Irdai) has cracked down on mis-selling of insurance by banks. Banks will now be held responsible for any mis-selling and even be slapped with penalties.

Mis-selling by banks is a big problem. An online survey conducted by economictimes.com in November 2015 showed that three out of five customers were missold investment products by banks. More than 36% of the 1,313 respondents listed this as one of the major pain points in their dealing with their bank. Newbie investors and those with deeper pockets were most at risk. It's not uncommon for bank staff to peek into the customer accounts and zero in on those with little knowledge or fat balances.

The survey showed that respondents below 30 and those earning more than Rs 1.5 lakh a month are most frequently targetted.

In another study, posing as customers, ET Wealth staffers had approached several banks for financial advice. Most of the banks advised them to buy traditional endowment or money-back policies, even though these plans offer very low returns and inadequate insurance cover.

Irked by the rising number of complaints against mis-selling, the insurance regulator has now made banks liable for the insurance policies they sell.

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Outsourcing norms for insurers to be tightened - The Hindu Business Line – 22nd August 2016

Insurers will soon find it tougher to outsource activities as the Insurance Regulatory and Development Authority of India (IRDAI) is set to tighten norms.

According to the proposed IRDAI (Outsourcing of Activities by Indian Insurers) Regulations, 2016, every insurer should put in place a comprehensive outsourcing policy duly approved by the board.

In addition to approval of the policy, the board will also be responsible for clearing a framework to evaluate the risks and materiality of all existing and prospective outsourcing.

This will include assessing management competencies for handling the outsourcing arrangements, given the nature, scope and complexity.

"Undertaking periodical review of outsourcing strategies and arrangements, and establishing a comprehensive risk management programme to cover the risks associated with the outsourced activities will also be the responsibility of the board," the regulator said in an exposure draft.

According to the draft report, outsourcing activities should be distributed amongst a reasonable number of outsourcing agencies to ensure there is no concentration of risks.

Better structure

"The proposed regulations are trying to give a more structured and better shape to outsourcing activities by clearly defining core and non-core activities," Puneet Sahni, Head-Product Development, SBI General Insurance, told BusinessLine, adding that the new norms will "positively" impact business processes and customer interests.

A host of activities such as processing, premium collection and claim verifications are generally outsourced in both life and non-life insurance.

The proposed norms should bring in more accountability as outsourcing relationships will be governed by written outsourcing agreements that are legally binding for a specified period that clearly describe all material aspects of the outsourcing arrangement, including the rights and responsibilities of all parties.

Though IRDAI has earlier issued some guidelines, this is for the first time that comprehensive regulations governing outsourcing are being rolled out. "On comprehensively examining the extant norms on outsourcing, the Authority proposes to issue the new regulations," Yegna Priya Bharath, Joint Director (Health), IRDAI, said.

Source

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India: Digital trend turns insurance into a buyers' market – Asia Insurance Review

Insurance in India has been transformed to become a digitally driven buyers' market from being a sellers' market, according to a report titled "Insurer of the Future" prepared jointly by international professional services firm EY and the Confederation of Indian Industry (CII).

In a statement, the CII said: "The customer is at the centre of digital transformations across the value chain and the report recommends pursuing technology to improve the traditional insurance process and to re-configure the insurance business model."

Noting that Internet of Things (IoT) can play a crucial role in assessing and pricing the risk of loss, the report said Robotic Process Automation (RPA), that replicates human behaviour and executes non-judgemental sequence of activities, can help insurers to automate client servicing activities.

"Insurers, through collaboration with third party data service providers can make informed strategy and policy-related decisions for insurance risk-management and fraud monitoring," the CII said. "Insurance bundling on e-commerce platforms has enabled greater customisation in product and pricing thereby targeted marketing to customers," it added.

The industry chamber, however, pointed out that insurers in India have been slow as compared to the rest of the financial services sector "in adopting new technology value propositions available in the market as an enabler of business strategy".

Commenting on the report, Mr Chandrajit Banerjee, Director General of the CII, said: " 'Business as Usual' today is very different from what it was in the last decade and the 'Insurer of the Future' will conduct business very differently in the decades to come."

Source

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India: Regulator issues draft outsourcing rules for insurers – Asia Insurance Review

Insurance regulator, IRDAI, has proposed rules for the outsourcing of activities by insurance companies. The objective is to ensure that insurers follow prudent practices in the management of risks arising out of outsourcing with a view to preventing negative systemic impact and to protect the interests of policyholders.

The draft regulations say that insurers shall adopt a sound and responsive management framework in formulating and monitoring their outsourcing arrangements. Every Insurer shall put in place a comprehensive outsourcing policy duly approved by the board. Insurers shall ensure there is a framework for a comprehensive assessment of the risks associated with outsourcing and for monitoring and controlling outsourcing arrangements.

An insurer outsourcing any service to an outsourcing agency should also put in place a contingency plan to ensure that the activity as well as the overall business would not be disrupted as a result of unexpected shortfalls or failures. The insurer should also ensure that the outsourcing agency has its own contingency plan in respect of daily operational and systems problems. The insurer should have complete understanding of the service provider's contingency plan and consider the implication for its own contingency planning.

IRDAI prohibits the outsourcing of core activities which are: underwriting; product design; actuarial functions; reinsurance; investment related functions; fund management including NAV calculations; settlement or repudiation of claims; policyholder grievances redressal; approval of advertisements; appointment of surveyors and loss assessors and compliance with anti-money laundering regulations and know-your-customer standards. Insurers are also barred from outsourcing policy servicing and its related activities.

Activities that are specifically allowed to be outsourced to individual persons are: medical examinations; legal or professional services; claim Investigation; forensic analysis as well as work carried out by salvage assessors, recovery agents, third-party negotiators and claim document aggregators.

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India: Urgent call to nurture insurance talent for growing industry - Asia Insurance Review

The insurance industry in India faces a huge challenge to attract and nurture talent that is needed to take the industry forward, according to several speakers at the 61st Annual Conference of the Insurance Institute of India (III) in Ernakulam in Kerala last Saturday.

The Indian insurance industry today is at a critical juncture in terms of attracting new talent as youngsters do not find the field interesting while a large number of senior management personnel is on the verge of retirement in the next few years.

Mr G Srinivasan, Chairman-cum-Managing Director (CMD) of New India Assurance, said: "We are not seeing new talent in the industry and we need fresh talent to efficiently run the industry." He urged the industry to rebrand itself in order to attract young talent and called for the inclusion of insurance as a subject in schools and colleges across the country.

Insurance Institute ready to take up the challenge

In his opening address, Mr V K Sharma, Managing Director of LIC and also III President, spoke of how in leveraging modern technology, the Institute has been able to conduct examinations and spread insurance education across the country. "The Institute's web portal has been extensively used by students in their registration and exam preparations and the Institute is also in the process of starting graduate and undergraduate courses in insurance at a few universities across the country," said Mr Sharma.

Ms Alice Vaidyan, CMD of GIC Re, highlighting the immense contribution of III in popularising insurance studies in India through its 94 affiliated institutes, called on the Institute to become more proactive and look for international partnerships to grow and expand into newer areas of research to improve understanding India's risk complexities.

"In a rapidly growing market like India, it is imperative that the industry invests in developing talent in anticipation of future growth," said Ms Vaidyan.

"The Institute can play a key role in developing more focused education and training resources on emerging risks and must look at using technology as an enabler and multiplying the reach of insurance education," she said.

The III was established in the year 1955, for the purpose of promoting insurance education and training in the country and is closely associated with all segments of the insurance industry in India and in a few developing countries in Asia and Africa.

Trust deficit exists in the market

Mr Sanath Kumar, CMD of National Insurance, spoke about the trust deficit that exists in the insurance market which is hindering rapid expansion of the industry. "We need to bridge the gap between the public and the industry and for this, the industry has to engage the public through different forums," he said. He also said that there was a need for serious introspection as to why the public is staying away from buying insurance products in spite of seeing major disasters like the Chennai floods in 2015, which caused massive economic losses and loss of lives.

"People still do not believe that it is easy to make a claim with an insurance company and get it processed and settled, and this is still a black box even with the informed and educated segment of the population," he said.

The two-day event was attended by over 200 delegates from the country and abroad. Awards were also presented to meritorious students from the Institute and also to winners of the annual essay writing competition.

Source

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IRDAI Regulation

Insurers to file compliance to investment norms form March - The Financial Express – 25th August 2016

Regulator has asked insurance companies to file periodical report on compliance to investment guidelines from quarter ending March 2017.

This follows notification of Insurance Regulatory and Development Authority of India (Investment) Regulations, 2016.

"As the Regulations mandate certain systems and process to be put in place, the IRDAI (Investment) Regulations, 2016 shall be effective from March 31, 2017.

"Thus, Insurers shall report compliance to IRDAI (Investment) Regulations, 2016 in the regulatory periodical submissions from quarter ended March 31, 2017," the regulator said.

With reference to earlier circulars and guidelines issued prior to notification of 2016 Regulations are based on the earlier Insurance Act, 1938, IRDAI has made the necessary amendments and issued Master Circular on IRDAI (Investment) Regulations, which will serve as one stand point reference.

"Insurers are hereby directed to place the Regulations, Investment – Master Circular on IRDAI (Investment) Regulations, 2016 before their Board in their next meeting and apprise their Board of the changes that have been brought in the Investment Regulations," the regulator said.

The Master Circular covers all operational, procedural and guidelines on investment category, risk management concurrent audit, valuation guidelines, disclosure and reporting norms, among others.

Source

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IRDA Tightens Equity Investment Norms for Insurers - The Economic Times (Delhi) – 24th August 2016

The insurance regulator has tightened equity investment norms by prescribing a dividend track record of 10% for the last two years instead of the earlier 4% in the last eight out of the nine years.

The Insurance Regulatory and Development Authority (IRDA) has said that insurance companies can invest in equity shares of any listed company where at least 10% dividend has been paid for at least two consecutive years under the approved investment category.

Under the unit-linked insurance plans, which are a mix of investment and protection, companies can invest 75% in approved securities and 25% in other than approved securities. Approved securities are those stocks that have dividend paying record and are liquid.

As per the liquidity criteria, in a month 50,000 shares, or a value of Rs 5 lakh crore, should be traded. Traditional funds invest primarily in government securities -50% -both state and central, 15% in infrastructure, and the remaining 35% in corporate bonds, equities and other than approved securities.

The regulator wants insurance companies to stay away from investing in companies which have not paid dividend and are financially weak.

Out of the BSE 200 companies, 30 companies have paid less than 10% dividend in the last two years. "We will have to move our investments from approved to other than approved and slowly pare some of the investments," said an investment officer of a large life insurance company, who did not wish to be identified. "We will take up the matter to the board." Also, insurance companies are not allowed to charge fund management fees on investment in liquid funds, exchange traded funds and fixed deposits of less than 91 days. At present, companies charge FMC of 1.35% on the asset under management.

The regulator has asked companies to close the fund within six months, if the size of the fund is less than Rs 5 crore. They will have to move policyholders to another fund within this period.

"Where any segregated fund invest in either mutual fund, exchange traded fund or bank fixed deposit, for a period less than 91 days at the time of placing the investment, the value of funds invested therein, shall be reduced for computing the fund management charges," said Irda in the regulations.

The regulator has said that every insurer shall have a separate fund manager for debt and equity up to a fund size of Rs 10,000 crore for both shareholder and policyholder funds taken together. For a fund size of over Rs 10,000 crore, every fund will need to have separate fund manager for life, pension, annuity and group fund and unit linked.

Source

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Life Insurance

How fintech can lift the insurance sector – Mint – 21st August 2016

The Insurance Regulatory and Development Authority of India (Irdai) came out with draft regulations for insurance e-commerce in June. Irdai hopes to lower the cost of transacting insurance business, and improve efficiencies and reach through these norms. E-commerce is also seen as an effective medium to improve financial inclusion in a cost-efficient manner, the draft said.

The regulator has proposed these norms in the wake of many startups trying to bring in digital innovation in the insurance sector. These measures gain importance as insurance penetration in the country is less than the global average, said the Irdai's annual report for 2014-15.

Fintech in insurance

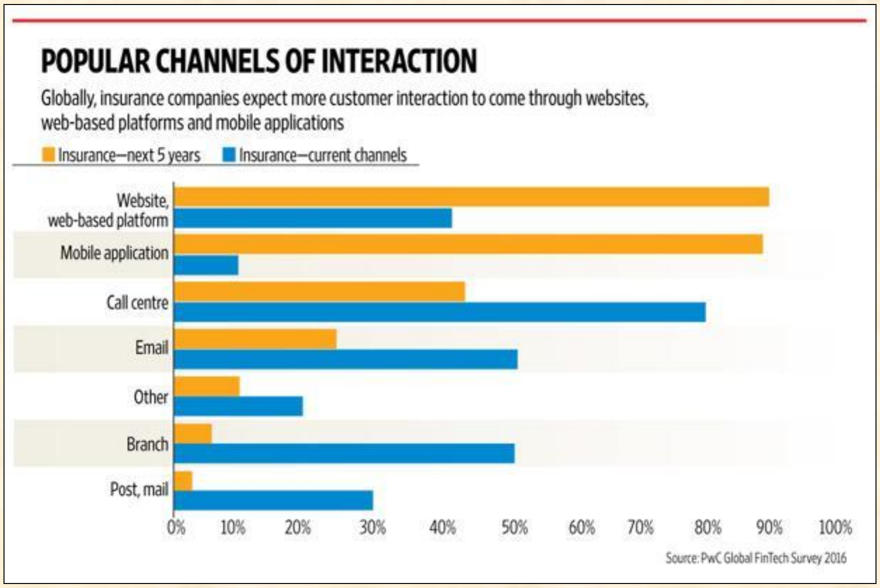
According to a PricewaterhouseCoopers (PwC) global survey in June, How InsurTech is reshaping insurance, for the insurers, cost reduction is the most significant gain from fintech. "A move towards cloud-based platforms means not only lower up-front costs, but also smaller ongoing infrastructure spending. Only this innovation, when compared to mainframe-based technologies, could reduce costs up to 10-fold," the survey said. It also added that disintermediation, self-servicing and automation of core insurance functions will lead to further savings for insurers.

Experts also believe that digital innovations have to be first about operational improvement, which will then translate into better experiences for consumers. "Whether we like it or not, the general understanding of the word digital is online selling. What we need to understand is that this element is only a subset of the digital ecosystem," said Anuraag Sunder, director, PwC. The use of technology aims at employing existing as well as new data, analysing it, using artificial intelligence and machine learning to understand customer problems and reach a solution.

"Data has really not been a strong point of the Indian industry, and that holds true across sectors, not just insurance. From that perspective, insurance sector has recognised this issue and there has been movement," Sunder said.

Online platforms enable capture and storage of rich, reliable and insightful consumer data that can be leveraged in the future to customise underwriting for individual customers, based on past history, said Balachander Sekhar, founder and chief executive officer, RenewBuy, a fintech startup focussed on motor insurance. Digital is all about business improvement, it is not about making things look pretty, Sunder said. "Customer ease, or solving the customers' problem is the most important element in this entire journey. Digital would not have happened otherwise."

Consumers often complain about lack of understanding and transparency while buying insurance. Fintech can help here. "Insurance contracts are defined using legal language. They contain exclusions and limitations to protect insurers, but are difficult to understand by the consumer. The traditional agent's job was to explain this to the consumer but this does not always happen... we are trying to fill the gap by using a mix of technology and in-house experts," said Anand Prabhudesai, co-founder, Turtlemint.com, an online insurance aggregator.



Lack of compliance

Non-compliance is a major concern in segments like motor insurance, where insurance is mandatory. Sekhar said the category sees large drop-outs. About 80% two-wheelers and 25% of cars are uninsured despite it being mandatory. This happens mainly due to lack of reach and distributor interest in pursuing small-ticket premiums, he said.

"Consumer surveys show that while most consumers want to insure their bikes, they are currently clueless about where to find an insurance agent or insurance branch office to get this done," Sekhar added.

Pricing of insurance and the commission an agent earns are also factors in the widespread non-compliance in motor insurance. "Unlike more lucrative segments like life insurance, where commissions are high, a typical bike insurance policy premium is as low at Rs.1,000 and the agent may earn only Rs.50 to Rs.75 a policy. On top of that, the paperwork and process are cumbersome," Sekhar said.

Fintech helps customers

While fintech may look like it benefits only the insurers—with benefits like operational improvement—industry insiders also expect these changes to benefit the customers. Fintech is making insurance buying a lot quicker and simpler than the traditional platforms.

"Today, technology allows one to make a quick comparison within seconds and understand the nuances that affect the premium or quality of services. Smart algorithms and clean user interface... allow a user to buy the best-fit insurance for her needs confidently in the least time," said Jaimit Doshi, chief marketing officer,

Coverfox.com, an Irdai-licensed broker. "It also makes managing the policy a lot easier. One can literally buy a policy within 3 minutes without any tedious paperwork," he said.

According to the Irdai annual report, the penetration of life insurance in the country is slightly more than 2% of the total population and it has been less than 1% for non-life insurance for many years. The report also states that just 2% of total policies sold and 1% of the premium paid were from online channels.

"With mobile and Web technology, consumers across tier 2, 3 and 4 cities and rural India will have access to multiple insurers and transparent prices," Sekhar said. Apart from reducing the cost of delivering the policy, and cutting down the branch network, online insurance selling also delivers transparent information to consumers.

"Using technology and the internet will allow for custom-pricing mechanisms and ability to sell long-tail products (when gap between filing a claim and its settlement is long), something both insurers and regulator should consider while creating product frameworks. Currently, most products are designed for leading channels like agency and bancassurance, which get adapted for internet sales," he said.

What's next

Doshi said low internet penetration in India, and even access to online banking are an impediment. "India is a promising and growing internet market. But currently the penetration level is abysmally low," he said. However, things are improving. "According to a Boston Consulting Group (BCG)-Google report, by 2020 every three in four policy purchases will be influenced by the digital channel," he said.

As internet penetration in rural areas improves, the market for these startups will expand. By 2020, about 315 million Indians in rural areas will be connected to the internet, compared to around 120 million at present, according to a study by BCG: The Rising Connected Consumer in Rural India.

Technology has given a boost to several sectors like e-commerce. However, Doshi said unlike in e-commerce, the current regulations do not allow discounts when selling insurance.

According to the draft regulations, insurers will be allowed to have differential pricing for products sold through insurance self-network platforms.

The new regulations could also do away with tedious processes such as physical signatures, by bringing in digital signatures and other authentication methods like one-time passwords.

The insurance regulator has laid down the infrastructure for digital sale of insurance, which is definitely a step in the right direction. This combined with a host of fintech startups in the industry could increase insurance penetration, while also easing the processes for consumers.

Source

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Health Insurance

India: Insurers launch health products targeting cancer – Asia Insurance Review

Insurers in India are looking at launching standalone products for cancer and related treatments as the incidence of cancer increases in the country and the cost of medical treatment soars.

Though most insurance companies already offer critical illness cover, the rising number of cancer cases in India are leading companies, such as HDFC Life, Max Life and Universal Sompo General Insurance, to launch specific products, reported the *Hindustan Times*. There are around 10 lakh new cancer cases reported every year.

While HDFC Life already has a product to cover cancer, Max Life launched a similar product a few weeks ago. Universal Sompo General Insurance is in the process of launching a similar product.

"Cancer and its related treatment is expensive.. One must have a specialised plan for cancer, more so as this disease has a tendency of repeating itself," Aalok Bhan, Director, Product Solutions and Customer Marketing at Max Life Insurance, said. The product launched by Max would not only cover the cost of treatment, but also expenses related to travel for the patient and family members, and even psychological counselling.

According to Mr Bhan, the cancer treatment costs could range from INR10 lakh to over INR30 lakh. This is an increase of more than 50% compared to what it was five years ago.

India is likely to have see 13 lakh cases of cancer by 2020, an increase of 14%, compared to 2015, according to the National Cancer Registry Programme. About 6-7 lakh patients die of cancer every year.

Mr Antony Jacob said, CEO of Apollo Munich Health Insurance, said: "Since cancer is one of the fastest-growing critical illnesses in India and single-disease covers are comprehensive and affordable, there is a deep-felt need for standalone health insurance plans for cancer in the market."

Source

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General Insurance

RBI asks banks to strictly comply with crop insurance scheme - The Economic Times August 2016

Directing banks for strict compliance to expand reach of Pradhan Mantri Fasal Bima Yojna (PMFBY), Reserve Bank has asked them not to be lax on entering details of farmers in the portal for corp insurance managed by the Agriculture Ministry. RBI said it was brought to its notice that entries of the farmers were not being made by the bank branches in the portal meant for crop insurance.

Earlier in March, RBI had directed banks to ensure strict compliance of the provisions of Prime Minister's crop insurance scheme as well as ensure coverage of 100 per cent of defined loanee farmers. They were also asked to ensure coverage of good number of non-loanee farmers to achieve the defined objectives and targets fixed under the scheme.

According to the PMFBY operational guidelines, banks are also expected to capture all relevant data including land and crop details of all loanee farmers and non-loanee farmers availing crop insurance through the branches. The Ministry of Agriculture & Farmers Welfare had advised all banks to enter farmer details in the unified portal for crop insurance -- www.agriinsurance.gov.in.

However, as the entries are not being filled, RBI said the Agriculture Ministry as well as state governments are not able to cull out any data leading to difficulties in assessment of coverage of crops insured, premiums deducted etc.

"You (banks) are therefore advised to issue necessary instructions to your branches to feed the relevant data in the portal at the earliest," RBI said in a notification.Under the crop insurance scheme, farmers are required to pay only minimal premium and can claim compensation for losses caused by natural calamities up to 14 days after the harvest.

Source

Prime Minister Narendra Modi had launched the PMFBY in January this year. Last week, Union Agriculture Minister Radha Mohan Singh expressed hope to cover four crore farmers under the scheme in the current fiscal.

Back

92 paisa insurance premium for train traveller from August 31- The Financial Express – 25th August 2016

A travel insurance cover of upto Rs 10 lakh can be availed while a booking train ticket online by paying less than one rupee from August 31. A person booking a train ticket through the IRCTC website will be able opt for travel insurance cover for a premium of 92 paise only from August 31, said a senior Railway Ministry official.

Railway Minister Suresh Prabhu had in his budget speech announced that the railways will provide optional travel insurance for train journey at the time of booking. The new facility will be available to all passengers excluding those travelling on suburban trains while booking online irrespective of the class. It will be started on a trial basis.

The cover will not be applicable for children upto 5 years of age and foreign citizens. It will be for passengers holding tickets such as confirmed, RAC and wait-listed ones, said the official.

The scheme offers travellers/nominees/legal heirs a compensation of Rs 10 lakh in the event of death or total disabilty, Rs 7.5 lakh for partial disability, upto Rs 2 lakh for hospitalisation expenses and Rs 10,000 for transportation of mortal remains from the place of a train accident or where an untoward incident, including terrorist attack, dacoity, rioting, shootout or arson, occurs.

However, no refund of the premium will be given in case of cancellation of the ticket. The scheme is being implemented by IRCTC in partnership with ICICI Lombard General Insurance, Royal Sundaram General Insurance and Shriram General Insurance selected through a bidding process. A total of 19 companies had participated in the bidding process and 17 were found eligible.

Source

The three selected insurance companies will get to issue the insurance policy on a rotational basis through an automated system. IRCTC has engaged the firms for one year with the provision of extending the contract on a performance basis.

Back

Only 1 of 22 non-life insurers makes underwriting profits - The Times of India – 25th August 2016

The insurance regulator's proposal to force companies to list might have come at an inopportune time for non-life companies. As many as 21 out of the 22 non-life insurers continue to lose money in the main insurance business. Bajaj Allianz General Insurance has emerged as the only non-life company to make underwriting profits among the 22.

Last fiscal, 16 companies had reported worsening of underwriting losses from the previous 2014-15, partly because of claims due to the Chennai floods. However, the regulator is unlikely to allow companies to delay listing on grounds of underwriting losses.

The JV between Bajaj Finserv and German insurer Allianz also tops the list of private insurers in terms of net profits with post-tax earnings of Rs 564 crore. It also ranks No. 2 in terms of premium income and has the highest return on equity at 20.2%.

Typically, companies make underwriting losses as they cut rates to grow business. But Bajaj Allianz has turned out to be an outlier. "In the last five years, we have grown our premium at a compounded annual growth rate of 65%. This shows that there is no trade-off between growth and underwriting profits," said Tapan Singhel, MD & CEO, Bajaj Allianz.

To improve governance, the Insurance Regulatory and Development Authority of India (IRDAI) has proposed mandatory listing for insurance companies after a decade of operations. Companies who have already completed 10 years must list within three years, according to the paper. There are 16 life insurers, 12 non-life companies, one health insurer and two specialised insurance companies which have been around for more than a decade.

While companies have reached maturity, underwriting profits are yet to emerge for most of them. The high level of underwriting losses could be a damper for investors, although companies report net profits because of the investment income earned from their reserves.

According to IRDAI officials, there is no restriction on companies making underwriting losses from going public. However, the regulator would like to see businesses stand on their own without depending on investment income. They add that listing might help improve underwriting discipline in companies.

Some industry persons argue that investment profits are central to insurance companies as these reserves are from funds set aside for claims and so it is the net profit that needs to be looked at. However, the regulator wants companies to focus on underwriting profits as investments are subject to market risks.

Source

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General insurers post 13% direct premium growth in July - The Financial Express – 24th August 2016

General insurance companies posted a growth of 12.9% (year-on-year) in gross direct premium in July. Data from the General Insurance Council show that private players continued to see higher growth compared to their public sector peers. Specialised insurers such as ECGC and AIC saw negative growth in July.

The general insurance industry witnessed gross premium income of R8,986.56 crore during the month under review, against R7,958 crore in July last year. While private insurers registered gross premium income at R3,948.72 crore last month, up by 22.8% compared with the year-ago period, public sector insurers saw 8.9% growth at R4,502.85 crore.

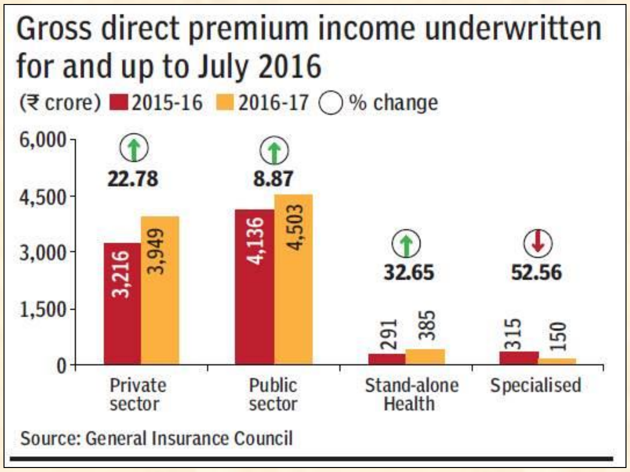
The general insurance sector in the last few months saw sustained growth and higher participation from private players. “There has been pick-up in insurance demand from the marine and engineering sectors and many

private players have started gaining their market share in that segment. Private insurers are already leading with high market share in motor and fire insurance. But some of the big corporates continue to be clients of public sector insurance companies,” said an insurance player.

In the motor insurance segment, gross direct premium income underwritten by non-life insurers till July stood at Rs 15,407.64 crore, with private sector firms contributing Rs 8,234.37 crore and the public sector companies the remaining.

Standalone health insurance companies also saw surge in their premium income by 32.7% in July. However, two specialized players – ECGC and AIC – saw negative growth of 52.6% in July.

“Healthcare segment has seen picking up due to the growing awareness and importance of healthcare. We hope this segment will continue to see strong growth,” said a senior official from a leading health insurance company.



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Crop cover scheme to be Rs 18k-cr biz – The Times of India – 23rd August 2016

Out of almost nowhere, the government has created a new market of Rs 17,000-18,000 crore with its new crop insurance scheme. This segment will be almost twice the size of the fire insurance business of non-life companies, which includes premium from covering buildings, factories, houses and shops.

Until last year, crop insurance was a business that generated less than Rs 5,000 crore of premium and most of it was booked by the Agricultural Insurance Corporation.

The reason for the change in fortunes is the new scheme — Pradhan Mantri Fasal Bima Yojana (PMFBY). In the earlier National Agriculture Insurance Scheme (NAIS), both premium and claims were capped for the insurer. This time, the government has freed the pricing. In exchange, insurers undertake to fully compensate the farmer for any loss. So while the government has an initial outgo in the form of a premium subsidy, it does not have to pay out anything even if there is widespread crop failure. Earlier, the exchequer would compensate for any losses above a certain limit.

"Subsidising of the premium paid by the farmer is done in most countries. This is because in farming every aspect of production is out of the control of the farmer and there is a need for risk mitigation in the form of insurance," said Bhargav Dasgupta, MD & CEO, ICICI Lombard General Insurance. The private insurer has bid for several states as the risk-based premium now makes crop insurance a viable business.

Although the farmer pays a flat 2% of the sum insured for kharif and 1.5% for rabi, insurance companies are free to charge 12% if claims in earlier years justify that kind of pricing. The difference between the subsidized rate the farmer pays and the actuarial rate will be paid by the government. "The farmer now sees more value in farm insurance as the entire crop is covered. The policy also covers pre-sowing and post-harvest risks," said Dasgputa. According to G Srinivasan, chairman, New India Assurance, earlier only 15% of 'loanee farmers' (farmers with bank debt) were purchasing insurance because the premium rates were high. Now with premium rates for

farmers being capped, more and more people are taking it. "Our target is to take it to at least 50% of the loanee farmers. Even if it reaches 30%, we should see a premium of Rs 15,000 crore," said Srinivasan.

The combination of higher sum insured and more farmers joining the scheme has increased the risk for Indian companies.

"All the companies will have to go for reinsurance, because it is too big for any company to retain on its own book as there could be catastrophic claims. Both GIC Re and international reinsurers have given support," said Srinivasan.

Going ahead, the pricing of premium is set to get even more scientific. "We will use satellite imagery and drone photography to develop our models.

These will be co-related with earlier data which will give us the change in yield," said Dasgupta. For now, the government requires that estimation of yield has to be done by actual crop-cutting experiments.

Source

Car insurance could provide limited cover - The Financial Express – 20th August 2016

Vehicle owners in the country — numbering about 21 crore at last count — will run the risk of having to pay accident claims above R10 lakh out of their pockets, if a law in the making comes into force.

The Motor Vehicles (Amendment) Bill, 2016, introduced in the Lok Sabha on August 9, proposes to cap the liability of insurance companies from mishaps involving vehicles at R10 lakh in case of accidental deaths and R5 lakh in case of grievous injuries.

The relevant Act at present provides for no such ceilings on compensation for deaths or bodily injuries. Although motor accident claims exceed the proposed limit in a small fraction of cases, analysts said given that the claim amounts are generally on the rise, the new provision could potentially hit individuals and firms.

Mandatory motor third-party (TP) insurance premium grew 19% on-year to R21,242 crore in FY16. These premia typically go up 10-15% every year to reduce the burden on insures. As a result, the claims to premium ratio is now 140%, much lower than a few years ago, but insurance companies would want it to come down further.

Analysts say a cap on claims could put downward pressure on premia and bring down insurers' own reinsurance costs.

"If one looks at the distribution of claims, most of them are less than R10 lakh. So the argument for the new provision in the Bill could be that since most of the claims are of lower amounts, if a cap on claims is imposed, it will help reduce premiums for TP motor covers," said Shashwat Sharma, partner, KPMG India. Unlimited liability has been an irritant as far as insurers are concerned, Sharma added.

But from the point of view of ordinary people, the proposed policy is indeed a cause for concern. If the legal heirs of an accident victim claim compensation before a motor accidents case tribunal or a court and get an award of, say, Rs 20 lakh, the insurance firm would only pay Rs 10 lakh and the balance Rs 10 lakh would have to be arranged for by the owner of the vehicle.

"The idea behind insurance is the inability of the insured to foot a hefty bill if something untoward happens. This provision will be a surest way of accumulating motor vehicle accident cases in courts," said an industry analyst, who did not wish to be identified.

According to a government estimate, every year 5 lakh road accidents are reported in the country in which 1.5 lakh people lose their lives. "Clearly, the focus of the government should be to reduce road accidents," the analyst said.

Source

The Bill also mandates that the central government prescribe a base premium and the liability of an insurer in relation to such premium for an insurance policy in consultation with the Insurance Regulatory and Development Authority. Currently, Irda fixes the motor TP insurance tariff.

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Survey & Report

Both state and Centre to be stakeholders in insurance sector: report – Mint – 22nd August 2016

The goods and services tax (GST) will significantly impact the insurance industry due to the emergence of dual stakeholders in every taxable supply of service: the government of the state where the supply is made and the central government, according to a report by Confederation of Indian Industry (CII) and EY.

Insurance, being a service industry, currently deals with one single tax (service tax) with one administering authority (the central government).

From dealing with a central service tax for pan-India operations, after the implementation insurers will potentially start dealing with 38 taxes: about 35 state and union territories GSTs (SGSTs), one central GST (CGST) and the inter-state supplies GST (IGST), said the report, Insurer of the future.

The government has recently put the law in the public domain along with the GST processes (which were released late last year) for businesses to assess the impact on their operations and start preparing for GST implementation. In most industries, the existing operational models partake the peculiarities of the current indirect tax regime and will need to be changed dramatically in the GST regime.

For example, several companies procure goods from within states, as against inter-state purchases to avoid the 2% non-creditable Central Sales Tax, despite differences in the quality of the vendor supplies and efficiencies. In the new regime, such variations in taxes will no longer govern supply chains.

Re-evaluation of models

Currently, the location of a policyholder, be it a corporate or an individual, does not affect insurers, considering that any insurance transaction in the country is subject to a central service tax (unless specifically exempted). Given the changed tax regime with GST, insurers would need to increasingly focus on the following elements as part of their customer-acquisition strategy:

- **Customers' resident location:** As SGST gets implemented, insurers will need to improve their processes, architecture and controls to capture this information to ensure compliance.
- **Location of the acquiring distribution channel:** Given the varied operating models across distribution channels, it will be of significance to critically evaluate the current distribution structure, where customers could be acquired across the country with distributors being located centrally or regionally in a separate state.
- **Policy issuance and servicing framework:** To assess the location or office from which insurance is being sold for tax purposes, it will be important to evaluate the operating framework in a centralised versus decentralised manner as the taxes could accordingly vary. The draft law, for instance, does not clearly specify how to determine which office of the insurer is providing the insurance service; it is vaguely defined as the registered office providing the service.

This is likely to lead to debates on whether it is the office centrally signing and issuing the policy or the office where the policy is being logged in or service is provided. So, determination of the office of the insurer as well as the office of the insured will be critical for tax compliances going forward.

The delivery process may also get impacted because of the state tax implications: centralised credit versus regional disbursement versus branch options. Insurers will need to build internal controls to track the payment of tax by distributors, to ensure compliance. Decision making for procurements and vendor management will be guided by GST guidelines. Many insurers may look at decentralising procurements.

Outsourcing decisions around data entry, printing, dispatch or investigation will require a new angle of IGST and SGST taxes.

For example, where a particular state decides on a lower SGST rate for health insurance services, a corporate client (who may potentially be unable to claim credits of employee insurance), may opt to procure in a state with a lower local GST rate in order to reduce tax costs. Depending on the impact on businesses, clients may come across with new asks on policies.

A similar re-look will need to be done at the insurer's end, where state tax liabilities will need to be mapped along with the relevant state input tax credits in order to avoid any blockages of credits.

Motor vehicle insurance would be a classic case, where the credits of the network third parties will accrue in the state where the repair services are availed by the policyholder but the tax liability for the insurance company on that policy may not be in the same state.

Getting GST ready

Insurers need to ensure that their GST implementation plan achieves the key objectives of zero business disruption and 100% compliance. One of the critical success factors for a business to smoothly transition into the GST regime would be process-readiness and technology-readiness to take on not only higher compliances, but also transaction-level reporting — a novel concept in the prevalent indirect tax regimes.

The GST regime is likely to throw up interesting opportunities and challenges for insurers. They need to consider GST as a business transformation lever to strengthen their present business processes, identify opportunities and have a first-mover advantage.

Source

Indian insurance in future will be fully digitally driven - The Financial Express – 21st August 2016

Insurance in India has transformed to become a digitally driven buyers' market from being a sellers' market, industry chamber CII said on Sunday, citing a report prepared jointly with British professional service firm Ernst and Young (EY). "Insurance in India has moved from being a sellers' market to that of a digitally driven buyers' market," said the report titled 'Insurer of the Future'. "Technology will power the new wave of change for the Indian insurance industry," the Confederation of Indian Industry said in a statement here.

"The customer is at the centre of digital transformations across the value chain and the report recommends pursuing technology to improve the traditional insurance process and to re-configure the insurance business model," it said.

Noting that Internet of Things (IoT) can play a crucial role in assessing and pricing the risk of loss, the report said Robotic Process Automation (RPA), that replicates human behaviour and executes non-judgemental sequence of activities, can help insurers to automate client servicing activities. "Insurers, through collaboration with third party data service providers can make informed strategy and policy related decisions for insurance risk-management and fraud monitoring," the CII said.

"Insurance bundling on e-commerce platforms has enabled greater customization in product and pricing thereby targeted marketing to customers," it added. The industry chamber, however, also noted that insurance in India has been slow as compared to the rest of the financial services "in adopting new technology value propositions available in the market as an enabler of business strategy".

"The drivers of Insurance business in India are rapidly changing. Over the last decade and a half several innovations have smoothly blended into the ecosystem of insurance, be it in terms of products, distribution, technology or the basic way in which business is done," the statement said citing Director General CII Chandrajit Banerjee.

"Technology and digitisation disruptions have brought the sector to a point of transformation," he added. "With the rising population and changing demographics, insurers and intermediaries will have to constantly innovate to remain relevant," said Rohan Sachdev Partner, EY.

Commenting on the possible impact of the Goods and Services Tax (GST) in insurance, CII noted that currently, as a service industry, insurance has one single tax (service tax) with one administering authority in the central government.

"Under the dual GST structure, a significant impact on this industry would be the emergence of dual stakeholders in every taxable supply of service: the government of the state where the supply is made and the central government," it said.

"From dealing with a central service tax for pan-India operations, insurers will potentially start dealing with 38 taxes: 35 State GSTs (SGSTs) of the states and union territories, 1 Central GST (CGST) and IGST on inter-state supplies," it added.

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IRDAI Circular

Source

List of Web Aggregators Approved by IRDAI is available on IRDAI website.

Source

IRDAI issued notification of IRDAI (Investment) Regulation,2016 - Reg. to the CEOs of insurers.

Source

IRDAI issued notification regarding IRDAI (Investment) Regulations, 2016.

Source

Terms and Conditions of Life Products for F.Y. 2016-17 are available on IRDAI website.

Global News

China: Private health insurance to jump 5x to US$167 bln by 2020 – Asia Insurance Review

The market for private health insurance in China will surge fivefold to CNY1.1 trillion by 2020 ($167 billion), from CNY241 billion in 2015, as middle-class and wealthy Chinese look for an alternative to the public insurance system.

A new report by BCG and Munich Re, "Opportunities Open Up in Chinese Private Health Insurance", released yesterday, says that the fastest growth is expected in reimbursement policies, which are more expensive (for high-end policies) but more flexible than the critical-illness policies that many Chinese have today.

"Private reimbursement insurance makes tremendous sense in China. There isn't yet a mass market for it because of the cost. But there is a lot of interest and we expect to see many new products in the next few years," said Ms Ying Luo, a partner in BCG's Beijing office and a co-author of the report.

The customers
A survey of Chinese consumers reveals the opportunity for carriers: the most likely purchaser of reimbursement insurance today is 35 to 55 years of age, married with children, with a minimum annual household income of CNY200,000. This group is expected to grow to over 40 million Chinese by 2020. The wealthiest consumers in this group would be willing to pay between CNY30,000 and CNY60,000 for a reimbursement policy covering a family of three.

"Today, private reimbursement policies are generally sold through group insurance. Purchases by individuals are still rare, and pure reimbursement players in China simply haven't been able to make money due to the small size of the market. This is set to change," says Mr John Wong, head of BCG's Greater China Health Care practice.

Government policies
The authors of the report expect increasing profitability, partly because of government policies that support the privatisation of insurance and health care, like tax breaks for private health insurance. Rising demand and encouraging government policies have already led to a quadrupling of the number of private hospitals, to more than 12,500 today from about 3,200 in 2005.

Key requirements
"Insurers have enormous opportunities if they start formulating the appropriate strategies now," said Dr Doris Hoepke, member of Munich Re's board of management, responsible for Munich Health. "To participate in the reimbursement market, organisations need to have a clear understanding of target customers and their needs, which should be reflected in innovative products tailored for these segments. Other requirements are an efficient claims and operations management, which guarantees customer satisfaction while keeping internal costs low, attractive and user-friendly sales channels, and an approved network of hospitals and health service providers."
The reimbursement market will represent 36% (CNY400 billion) of the CNY1.1-trillion private insurance market in 2020. The other 64% will consist of critical-illness policies (dominated by life insurers), which are expected to grow at a slower rate than reimbursement insurance.

"Insurance companies need to understand the characteristics and preferences of different customer segments: the amount of money they are willing to spend on reimbursement insurance and what they expect to receive in return," said Mr Bill Bossany, Deputy Chief Executive of Munich Re, Beijing (Health branch), and a report co-author. Expertise in analytics and strong data infrastructure are essential in gaining valuable insights and making customer interactions more straightforward.

Source

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Malaysia: General insurers pay "staggering" motor claims in 1H – Asia Insurance Review

The Malaysian general insurance industry paid MYR13.2 million (US$3.3 million) per day paid out in motor claims for property damage, bodily injury and vehicle theft in the first half of this year. In a statement announcing the first-half industry performance, the General Insurance Association of Malaysia (PIAM) called the figure "staggering".

PIAM said that the industry continued to incur high motor claims for the first half of 2016 amounting to MYR2.41 billion. On a positive note, the industry recorded a decline of 5% in motor theft counts. The total number of stolen vehicles for all classes in the first half of 2016 amounted to 11,796 compared with 12,412 in 2015.

The industry body said that the general insurance market recorded a moderate growth rate of 3% for the first six months of 2016, amidst earlier sentiments that it will be a challenging year for the sector. Industry gross written premiums increased to MYR9.34 billion (US$2.31 billion) compared to MYR9.07 billion for the corresponding period last year, according to….

Motor insurance grew marginally by 0.7% and maintained its major share of the overall market at 44.1%. Motor premiums stood at MYR4.12 billion in the first half of 2016 compared to MYR4.09 billion for the same period in 2015.

Fire insurance, the second largest class with a market share of 18.7%, surged by 8.9% to reach premiums of MYR1.75 billion. Other strong performers include the Miscellaneous Class comprising Bonds, Liabilities, Engineering and Workmen's Compensation which grew at a healthy 8.6% with premiums of MYR1.24 billion. Medical and Health Insurance (MHI) increased by 1.9% with gross written premium of MYR586 million while the Personal Accident class registered a growth of 0.9% with gross written premiums of MYR696 million. Marine Aviation and Transit (MAT) insurance declined by 1.4% to MYR944 million owing to the weak oil and energy sector and a 27.4% drop in marine hull insurance.

The overall Net Claims Incurred Ratio (NCIR) for the industry fell from 56.7% in the first half of 2015 to 53.8% in 1H2016. Motor claims incurred ratio was 65.0% in 2016 compared to 74.3% for the same period last year.

The industry achieved a higher underwriting profit of MYR836 million in the first half of 2016 compared to MYR754 million in the same period of 2015.

Changes ahead

PIAM Chairman, Mr Antony Lee, said "The general insurance industry is bracing itself for a significant change over the next three years. The phased liberalisation of the Motor and Fire tariffs announced by Bank Negara Malaysia will transform business models and the way insurers have been underwriting these two major classes which comprise 63% of the general insurance business in the country."

PIAM CEO Mark Lim said: "In the first phase starting 1 July 2016, insurers will progressively introduce new motor and fire products, and price them at market rates. However such products will be subject to approval by PIAM on the policy wordings, definitions and terminologies. Subsequent approval from BNM on the pricing will be required before they are launched to the public. PIAM has established an Industry Product Review Board to fulfill this role."

Looking ahead PIAM expects the operating environment for the second half of 2016 to be as challenging as the first six months. Moderation in the growth rate is likely to prevail for the resilient general insurance industry.

Source

Back

Australia: Health insurers call for lower medical device prices – Asia Insurance Review

Australia's private health insurance industry wants to work with the government on a price mechanism, or reference pricing, to reduce the high cost of devices such as pacemakers and replacement hips and knees.

In 2006, the federal government fixed the prices that health funds pay for common medical devices, including replacement hips and knees and defibrillators.

Dr Rachel David, the Chief Executive of Private Healthcare Australia, which is the industry's peak representative body, maintains the prices were set at high levels by world standards, reported *ABC*. The association has produced data showing that a knee replacement costs three times more in Australia than in Canada.

Dr David said that insurers want the prices for medical devices being paid by health funds to match other hospital prices in Australia.

"And benchmark prices around the world in comparable economies like Europe and the UK," she added.

"Private patients in Australia through their premiums are still paying two to five times the real market value of the medical device," Dr David said.

The government announced a review in February and the private health industry has called for a reform of the pricing system.

Source

Asia: Regulatory reforms shaping reinsurance competitive dynamics – Asia Insurance Review

Various regulatory initiatives in the region could lead indirectly to greater demand for reinsurance, as direct insurers rethink risk management strategies and appetite, says Fitch Ratings in a report released this week. Asian regulators have implemented - or are in the process of implementing - a range of measures that would alter the operating and business climate in the region.

Legislative changes in Indonesia, Vietnam and India are trending towards more protectionism, with attempts to increase the percentage of insurance business to be placed with domestic reinsurers. Local reinsurers are being constantly challenged in their ability to improve their risk management sophistication and controls, to keep up with the upcoming surge in premium volume. The increase in protectionist measures will affect opportunities for business growth and participation of foreign reinsurers in these markets.

As for China, Fitch believes that the new solvency system – China Risk-Oriented Solvency System (C-ROSS) implemented in January – is likely to prompt greater placement of reinsurance in the local market rather than overseas because of the different capital charges imposed on reinsurance receivables from local reinsurers and overseas reinsurers. Fitch also expects market competition to intensify with several new local reinsurers being set up in China in 2015-2016.

Meanwhile, the gap between insured losses and total economic losses arising from natural catastrophes improved in 2015, but Fitch believes it is still far too wide. Many Asian markets have low insurance penetration, which Fitch believes will provide solid business growth potential – including the relatively untapped Indonesian, Chinese and Indian markets. The total insured losses in Asia improved to 19% of the region's total economic losses in 2015 from 10% in 2014.

Source

Back

Indonesia: Life insurers eyeing 650,000 agents this year – Asia Insurance Review

The Indonesian Life Insurance Association (AAJI) has set a target of increasing the number of licensed insurance agents to 650,000 this year in a bid to deepen insurance penetration.

Until June this year, the industry had 513,000 licensed agents, an increase of 13.7% from 2015. In the last three years, the industry recorded a 12.9% growth rate per year in the number of life insurance agents, reported *The Jakarta Post.*

AAJI Chairman Hendrisman Rahim said that around 44% of total premium income of IDR34.3 trillion (US$2.6 billion) in the first quarter of this year was generated by insurance agents.

"We still rely on agents in selling insurance policies," Mr Hendrisman said, adding that bancassurance, was the second biggest contributor to sales.

Source