Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"Everything can be taken from a man but one thing; the last of the human freedoms – to choose one's attitude in any given set of circumstances, to choose one's own way."

– Dr Viktor Franki

INSIDE THE ISSUE

Insurance Industry

Insurers Ask Irda to Extend Policy Renewal Grace Period – The Economic Times – 21st November, 2016

Life insurance companies have asked the regulator to extend the grace period to renew policies in the wake of demonetisation of high-denomination notes, which had inconvenienced the public.

State-owned Life Insurance Corporation of India has added 22 days to the grace period given to policy holders, waiving the penal charges for the delay in payment and doing away with medical examinations. Payment of premium due during the grace period ending between November 9 and No vember 30 can still be made before the end of this month without attracting penal interest. Sub mission of a declara tion of good health on account of the delay in renewal premium has also been waived for this period.

The industry wants the Insurance Regulatory and Development Authority to extend the grace period to December 30 for all life insurance products due for renewal now. This would ease the burden of policyholders who have to pay the renewal premium amid a cash crunch and long queues at banks and post offices for getting new high-denomination notes.

The grace period for payment of premium on life insurance policies ranges from 15 days to 30 days, depending on whether the frequency is quarterly, half-yearly or yearly.

About 60% of insurance policy sales takes place in the second half of the financial year. Those who pay cash may delay their purchases due to the ban.

Source

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Insurance Regulation

IRDAI plans data security standards – The Times of India – 15th November, 2016

The Insurance Regulatory and Development Authority of India (IRDAI) is concerned about data security in insurance companies. The regulator feels that steps being taken to secure data currently are inadequate considering that fraud callers are able to lay their hands on policy details. IRDAI will form a working group of chief technology officers of insurance companies and will come out with standards for data security.

Speaking to TOI, Nilesh Sathe, member (life), IRDAI, said that there is evidence to show that there is data pilferage happening in the insurance sector. "We are receiving complaints of spurious calls where policyholders are being asked to surrender their existing policies and get new ones. These calls cannot take place without details of the insured and the policy details," said Sathe. There are also instances of agents getting policy details of vehicle-owners and their motor insurance.

There have been other calls where the caller positioning himself as an IRDAI official claimed that the insured was due to receive a refund in respect of his life insurance policy. The caller than sought to obtain bank credentials of the policyholder on the grounds that this was needed for effecting an online transfer.

In all the spurious calls, the insurance company on whose behalf the call was made claimed that they had not authorised any tele sales person. IRDAI had carried out raids on call centres in the past along with enforcement authorities and shut down large operations. But due to lack of coordination with telecom regulator Trai, it has not been able to prevent the mushrooming of fake call centres.

On Monday, IRDAI asked insurers to submit present status and future plans to meet challenges related to cyber security. "IRDAI has decided to beef up its efforts on a comprehensive cyber security framework for the insurance sector in the wake of recent cyber attacks," said the IRDAI in a communication to CEOs of all insurance companies.

The regulator has also decided to be proactive in light of the data breach in one of ATM transaction processing centres of a private bank. The data breach resulted in close to 3.2 million debit cards being compromised. The government has sought a report from the RBI on the incident.

Source

Back

IRDAI may allow insurers to raise stake in cos beyond 15% - The Economic Times – 16th November, 2016

The Insurance Regulatory & Development Authority of India (IRDAI) is open to insurers surpassing the 15% limit on equity holdings in a company under some conditions.

"In certain circumstances, certain companies will like to have higher exposure," IRDAI chairman TS Vijayan told ET. "If someone wants higher exposure in a particular company, they will have to take specific permission of the authority."

Vijayan added that such a provision is fair and follows the principles of good risk management. The move may allow Life Insurance Corporation of India (LIC), the country's largest insurer, to participate in the government's sale of shares in blue chip companies held by the Specified Undertaking of the Unit Trust of India (SUUTI).

Earlier this month, the government sold a 1.63% stake in Larsen & Toubro for Rs 2,100 crore. LIC didn't take part in the stake sale. At present, LIC holds 16.04% stake in L&T, 14.34% stake in ITC and 14.47% in Axis Bank.

"If the regulator permits, the insurer can raise its stake to as high as 20%," said a government official aware of the deliberations, adding that LIC is already in talks with IRDAI. Vijayan said the watchdog will examine each case individually.

“If some companies approach us on that, we will like to see whether that company itself is clear on what they ask for, we will examine whether all requirements are fulfilled," he said.

The regulator would like to ensure that all the due diligence has been done. The government's stake held by SUUTI is collectively valued at almost Rs 62,000 crore, more than the Rs 56,500 crore budgeted from disinvestment in the current financial year.

Vijayan said there is a lot of global interest in India's insurance sector, as evinced at the recent Asian Actuarial Conference. On the impact of the Goods and Services Tax, which the government may introduce in the next financial year, the regulator said the insurance industry already pays service tax.

"Whatever initial hurdles are there will be smoothened out," he said, adding that insurance companies have not raised any issues. The regulator noted that the challenge for insurance companies is product distribution and widening their reach.

"If you look at the economy in India, a lot of distribution is happening through the ecommerce platform...Many companies have taken initial steps," Vijayan said. On the issue of listing state run general insurers, Vijayan said the government has decided in principle to list the companies. "Officially, they have not told us," he added.

ET View:
A policy flip flop to ensure that the government has ready takers for shares of companies that it holds through SUUTI is not a good idea. Exposure to a single investee company is capped to ensure diversification of risk in an insurance company's equity portfolio. A diversified portfolio is in the interest of policy-holders. A case to case approval by IRDAI goes against the grain of equal treatment of all insurers.

Source

We are focussing on the policy holder's protection: TS Vijayan of IRDAI - The Economic Times – 17th November, 2016

In a chat with ET Now, TS Vijayan , Chairman, IRDAI said that there are some elements in the HDFC-Max deal that need to be reworked. Edited excerpts:

ET Now: What do you want to change in the HDFC-Max deal?
TS Vijayan: Max ultimately, what the proposal was to merge these two insurance companies, life insurance, it is okay with them. The process part we want them to change, some procedure part we wanted to change. The companies know it. I believe they are working on it.

ET Now: So is that the whole process in itself was complicated – the merger, then the demerger, then there was a non-compete fee?
TS Vijayan: There are some elements in it which has to be reworked that we had conveyed to them, they are working on it.

ET Now: So clearly in this particular form, the regulator is not comfortable. They will have to come out with a new proposal and formula.
TS Vijayan: New, they have to rework on certain aspects, then they have to come to us.

ET Now: This has been asked to you several times – there are many insurance, particularly you know LIC which has been putting a request, maybe the 15% cap traditionally which has been there on investment space of equity companies could be increased. Are you open looking at it on a case to case basis?
TS Vijayan: In case to case basis, if the company really wants it, we will definitely look into that and the regulation says there is a limit it can invest and already LIC has got some excess limit that is all. And further if they want to invest, we will look into it that is all.

ET Now: Interestingly corporate governance is one theme which has been spoken in various forms, do you think that insurance company should also play proactive role in protecting the interest when it comes to corporate governance, particularly what is happening at the house of Tatas?
TS Vijayan: Tatas, what happened to Tatas?

ET Now: We all know the board room battle because insurance companies also have a huge exposure in many Tata companies traditionally big insurance companies.
TS Vijayan: See as far as corporate governance of insurance companies, we have taken out guidelines for insurance companies and especially focussing on the policy holder's protection and it is in place, they are behaving it. As far as you are talking about investment of the companies, that is for the companies to look into their investment and take a decision on it.

Source

Back

IRDAI to drive simpler PoS products for rural penetration – The Times of India – 22nd November, 2016

With insurance penetration in India down to 3.44%, a 10-year-low, the insurance regulator is taking measures to bring in simpler, point-of-sales (PoS) products for more broad based selling in rural areas.

Given the reasonable success of the Pradhan Mantri Jeevan Jyoti Bima Yojana scheme, which offers Rs 2 lakh insurance cover, for a premium of Rs 330, the regulator is urging insurers to create plain-vanilla PoS products for en masse distribution and issued guidelines last week.

While the PM's scheme is a term insurance plan, the Insurance Regulatory and Development Authority of India (IRDAI) has asked insurers to create savings and annuity plans that are customised so that one policy can reach a lakh. Currently life insurance policies are designed such that each policy is underwritten for a specific individual - which makes mass-selling difficult.

As per the 2011 census, more than 83.31 crore Indians - about 69% of the general population - live in 6.40 villages spread across India. Life insurance companies have tried selling micro-insurance through agents, but the attempt has largely been a failure.

For rural penetration, insurers are handicapped by the low sum insured and the absence of a strong agency network. "Agents in urban centres get commissions of up to 15% for policies ranging from Rs 1 lakh - Rs 1 crore. In rural areas, the sum insured usually does not cross Rs 1 lakh. And for collecting premium amounts as low as Rs 200, micro-insurance agents have to travel many miles. The small commissions they make gives them no incentive," said an official from SBI Life Insurance Co.

Many of the private life insurers primarily sell micro-insurance products through their banking partners or parent companies. But that has also seen limited penetration. "The simpler the product, the easier it is to sell. With more complicated products, we have to look at whether the remuneration agents get makes it worthwhile for them to make that effort," said Mohit Rochlani, director - operations and IT, IndiaFirst Life Insurance Co. Taking into account the amount of time and effort invested in sourcing policies individually, IRDAI's recent guidelines give room for the creation of a product with greater flexibility and a different distribution channel. Many insurers have already lined up products that are PoS in nature. "These policies will be simple, with fixed premium amounts, pre-defined underwriting guidelines and all benefits stated upfront," said Rochlani.

Source

Since the concept of micro-insurance and bancassurance has not greatly helped the cause of rural insurance penetration, IRDAI is creating a separate distribution channel for PoS products. "With the Pradhan Mantri's scheme we have seen penetration levels increasing. There was sizable interest for the product from customers in tier-2 and tier-3 cities. There were people approaching us to take up insurance, which is a rarity. We are hoping to replicate something similar with the PoS products, said Rochlani.

Back

General Insurance

Insurers ask ministry for motor third party claim filing – Business Standard – 16th November, 2016

The general insurance industry is seeking a time-limit of one year for filing claims under motor third party policies from the ministry of road transport and highways. Currently, there is no time limit for filing claims under such policies.

Since losses in the motor insurance have continued to be on the rise, non-life insurers have sought relief from the ministry.

Bhargav Dasgupta, MD & CEO, ICICI Lombard General Insurance said as an industry they have sought that there should a time limit for filing motor third party claims.

He said that the third party liability challenge in India is that there is no time limit for submission of claims. “If you see the industry data, the number of claims that get intimated to court after 3-5 years is huge,” he said.

According to current norms of the Motor Vehicles Act, there is no limit neither on the liability of insurers in motor third-party accidents nor is there any time-limit to file them. Due to this, a victim can claim any amount in these cases after any number of years and if the insurer refuses to pay, they can approach the court.

Insurance sector estimates suggest that on an average, there is a 15-20 per cent increase in the quantum of compensation awarded by courts every year.

In the revised version of the road transport and safety bill there is a proposal that there will be a fixed compensation liability for third party accident victims will be limited. However, this bill does not mention any time limits.

Insurers had also sought motor third party policies could have a fixed liability and those in need of higher value covers could be offered.

Under the revised draft, the penalty for driving a vehicle without a valid insurance policy has become more stringent with penalties ranging from Rs 10,000-25,000 for different categories of vehicles. It also includes imprisonment for 6 months and impounding of vehicle for six months as a deterrent against driving without valid third party insurance which is mandatory for all motor vehicles.

Further, it has clarified that the death of or bodily injury to any person or damage to any property of a third party shall be deemed to have been caused by or to have arisen out of, the use of a vehicle in a public place. This is notwithstanding that the person who is dead or injured or the property which is damaged was not in a public place at the time of the crash, if the act or omission which led to the crash occurred in a public place.

Currently, combined ratios in the motor insurance segment stand at 140-150 per cent, owing to losses in the third party motor segment and high claims from commercial vehicles.

No motor vehicle in India is allowed to ply without having a valid motor third party insurance.

Insurance firms to reap Rs 232-crore kharif profit – The Tribune – 22nd November, 2016
The insurance companies authorised by the state government to insure crops under the Prime Minister Fasal Bima Yojna (PMFBY) will have windfall profits of over Rs 230 crore for this year's kharif crops.

The companies received Rs 252.35 crore as premium, but sources said that the tentative amount they would have to pay as claims to farmers was less than Rs 20 crore.

As per the official figures, a total of 11.47 lakh hectares of land belonging to 6,92,029 farmers was covered under the scheme for the kharif crops this year in the state with a total sum insured being Rs 6,723.06 crore.

The insurance companies recovered Rs 123.55 crore as premium from farmers, Rs 83.54 crore from the state government and Rs 45.26 crore from the Central government (total Rs 252.35 crore).

Of this, Rs 118.61 crore went to the insurance companies as premium for insurance of paddy, Rs 117.11 crore for cotton, Rs 16.39 crore for bajra and Rs 24.59 lakh for maize crop.

But when it came to paying claims for the damage caused to crops, the insurance companies are alleged to have whittled down their compensation to less than Rs 20 crore.

"The insurance companies are hand in glove with the BJP government and have been denying genuine claims of the farmers on one pretext or the other," alleged Prahlad Singh Bharukhera, president of the Haryana Kisan Manch.

Former Chief Minister Bhupinder Singh Hooda, who had opposed the PMFBY when it was launched in the state, said that farmers would not get even Rs 20 crore because of the lopsided terms and conditions of the insurance companies.

"The scheme is not in the interest of the farmers. I have been maintaining from the beginning that the BJP government is working as an agent of the insurance companies. Insurance scheme cannot be forced without the consent of the parties, but the PMFBY has been imposed on farmers without their willingness," Hooda alleged.

Agriculture Minister OP Dhankar, however, maintained that claims were always dependent upon the actual loss and there was nothing unusual in it.

"In Madhya Pradesh, insurance companies will have to pay Rs 4,400 crore as claims to farmers this time. In Haryana, farmers have reaped a bumper crop this time as 7 crore quintals of paddy has already arrived in grain markets," Dhankar maintained.

The minister said that in the last two years, the state government paid Rs 1,092 crore as compensation for loss due to hailstorms and Rs 995 crore as compensation for whitefly attack on cotton.

He said one out of six crops suffered damage, as per the government's estimates.

Source

Dhankar said that the government would opt for the PMFBY for the upcoming rabi crop, too, for which the farmers would have to pay 1.5 per cent of the sum insured as premium.

Back

Soon, rail travel insurance may become mandatory – The Times of India – 23rd November, 2016

Railways is considering a proposal to make travel insurance mandatory by default for those booking tickets online, unless a passenger opts out of it.

The transporter was sitting over the proposal until it was hit by the Kanpur train tragedy on Sunday , which killed around 149 people and left hundreds injured.After massive response from insurance companies, Indian

Railway Catering and Tourism Corporation (IRCTC), which has anchored the insurance scheme since its launch in September, has suggested to railways board to make the scheme mandatory , extend the coverage to the unreserved class and provide cover for valuables such as laptop and mobiles.If the IRCTC proposal is accepted, the insurance business in railways will be around Rs 3,500 crore, said an official. Of the 695 passengers on board the ill-fated Indore-Patna Express who booked on line tickets, only 128 had opted for the insurance, which costs just 92 paise. Of the 128 passengers, 78 were in the train at the time of the accident. IRCTC swung into action after the news of the accident and found that 8-10 insured passengers are safe while 7-8 are in hospital and were being provided cashless treatment from insurance companies.

Source

Given that very few train passengers opt insurance, due to negligence or lack of awareness, railway authorities have given serious thought to the proposal. Under the scheme launched as a pilot project, the nominee of deceased will get Rs 10 lakh over and above other compensation announced. Those suffering permanent disability will get Rs 7.5 lakh each. Rs 2 lakh will be given for hospitalisation charges, Rs 10,000 for minor injury and Rs 5,000 for each luggage lostdamaged, for a maximum of two bags.

Back

Motor insurance premium grows 28 percent in FY17 so far, highest since 2008 – The Financial Express – 24th November, 2016

Motor insurance, which remains an important component of the general insurance industry, has achieved a 28% growth in premium income in this financial year. Officials say this is the highest growth seen in this segment since 2008. In the current financial year, the general insurance industry has seen premium income underwritten of R72,000 crore, most of which has come from motor and crop insurance.

The insurance sector have received premium of R12,000 crore through crop insurance and they expect it to touch R18,000 crore by end of this financial year. Sanjay Datta, chief, underwriting & claims at ICICI Lombard, said: "I think we have seen huge growth in Pradhan Mantri Fasal Bima Yojana as premiums have gone up to around R17,000-18,000 crore for this financial year."

Source

In the last few months, general insurance has seen few innovative products that has helped motor insurance to grow in semi-urban and rural areas.In the current financial year, general insurance industry has seen premium income underwritten of R27,730.91 crore for motor insurance.

Back

Life Insurance

New premium: Life insurers post modest 4% growth in October – The Hindu Business Line – 17th November, 2016

The total new business premium of life insurance companies has seen a modest increase of 4 per cent year-on-year at Rs.11,107 crore in October this year.

This is after recording a strong growth of 35 per cent (at Rs.76,236 crore) during the first half of the current fiscal. In September, new business premium of 24 life insurers grew 61 per cent y-o-y, at Rs.16,767 crore.

In October this year, State-owed LIC reported 5 per cent decline in new premium at Rs.7,572 crore (Rs.7,947 crore in October 2015), according to Insurance Regulatory and Development Authority of India (IRDAI) data.

However, all private insurers put together reported a 28 per cent rise in new premium at Rs.3,535 crore as against Rs.2,764 crore in October 2015.

Among private life insurance ***companies***, HDFC Standard Life's new business premium in October grew 90 per cent at Rs.788 crore (Rs.415 crore in the year-ago period). SBI Life collected Rs.603 crore, up 24 per cent, and ICICI Prudential Life mopped up 20 per cent more, at Rs.528 crore.

Other life insurers who reported good growth in new premium during October include: Bajaj Allianz Life, 40 per cent (or Rs.250 crore); Birla Sun Life, 52 per cent (Rs.227 crore); Max Life, 25 per cent (Rs.219 crore); and India Kotak Mahindra Old Mutual Life, 10 per cent (Rs.138 crore).

The cumulative new business premium during April-October 2016 of all life insurers rose 30 per cent to Rs.87,343 crore, from Rs.66,998 crore in the year-ago period.

LIC recorded 33 per cent growth in first year premium at Rs.62,735 crore during the first seven months of this fiscal. It has a market share of about 74 per cent. SBI Life was the top performer among private life insurers with a share of about 6 per cent, followed by HDFC Standard (4.3 per cent) and ICICI Prudential Life (4.03 per cent).

Source

Back

Life insurers report 30% growth in first-year premium – The Economic Times – 24th November, 2016

While demonetisation is grabbing headlines, life insurance companies have quietly reported a 30% rise in first-year premium income. Data released by the Insurance Regulatory and Development Authority of India (IRDAI) last week shows that life insurance companies mobilized Rs 87,344 crore in first-year premium income between 1 April and 31 October this year, compared to Rs 66,997 crore during the same period of the previous year.

But analysts point out that a large chunk of this growth has come from single-premium and group insurance policies. Regular premium policies for individuals, which define the long-term profitability of a life insurance company, registered a modest 14.4% rise in first-year premium income. Also, the group single-premium segment saw a Rs 9,904 crore jump in premium income. Analysts say the premium income from this segment is not a sustainable stream in the long term.
First year premium income (In Rs crore)

Source: IRDAI

Source

Back

Health Insurance

Now, ayurveda treatment gets insurance cover – The Times of India – 24th November, 2016

In a major push to the Indian traditional systems of treatment, the Central government has agreed to extend insurance coverage to ayurvedic therapy as well.

The ayush ministry has also issued guidelines for claiming insurance for the ayurvedic therapies.
According to the ministry, the guidelines have been framed after consulting the Insurance Regulatory and Development Authority (IRDA) as well as 23 insurance companies and ayurveda experts and industry representatives.

Only a few government companies were providing insurance coverage for select ayurvedic treatments, said the secretary of the Ayurvedic Medicine Manufacturers Association of India (AMMOI) Dr D Ramanathan.
It was for the first time that so many private insurance companies have come forward to provide insurance coverage to about 20 ayurvedic treatment procedures, he said.

In the ministry's guidelines, the standard costs that can be claimed for various therapeutic procedures and the duration of treatments have been broadly listed.

The guidelines clarify that the insurance coverage will be provided to treatments carried out in ayurvedic hospitals registered with a government authority.

The hospitals must have at least 15 beds, and five registered ayurvedic doctors as well as adequate number of qualified paramedical staff. The hospitals must also be maintaining the daily medical records.

Even though the AMMOI has hailed the ministry's decision to extend insurance coverage, Ramanathan demanded that small and medium scale ayurveda care centres should also be included in the scheme.

Hospitals which received accreditation from the National Accreditation Board for Hospitals and Healthcare Providers, teaching hospitals attached to ayurvedic colleges as well as central and state government hospitals will also be brought under insurance coverage.

Dr S G Ramesh, president of the AMMOI said the extension of insurance coverage will help ayurveda to be mainstreamed and attract more people to the ancient system of health care.

Source

Pointing out that this was a long-pending need, eminent ayurveda expert Padmasree Dr P R Krishna Kumar, said though there had been a huge shift from allopathic system to ayurveda in the recent times, lack of insurance coverage was holding some patients back. With the latest development, more people will be attracted to ayurveda treatment, he said.

Back

Health insurers pip non-life segment in premium growth - Business Standard – 24th November 2016

Standalone health insurers have posted a higher rate of premium growth than the non-life insurance segment. According to data from the Insurance Regulatory and Development Authority of India (IRDAI), health insurance companies have posted a 34 per cent in gross premium underwritten in the April to October period compared to a year ago. The non-life industry posted a 32 per cent growth in premiums on a year-on-year basis in the same period.

Currently, there are six insurers that underwrite health insurance policies. These include Star Health Insurance, Cigna TTK Health Insurance, Apollo Munich Health Insurance, Max Bupa Health Insurance, Religare Health Insurance.

Aditya Birla Health is the most recent addition that commenced operations in October.

The private general insurance sector saw a growth of 32.6 per cent in the April-October period compared to same period last financial year. The public sector insurers, saw 31.5 per cent growth in the same period. Overall, public sector insurers had a market-share of 47.87 per cent while that of the private sector stood at 44.76 per cent.

Source

Among private sector, standalone health insurers had a market share of 3.64 per cent. The Insurance Laws (Amendment) Act recognises standalone health insurers as a separate category. The health insurers collected health insurance premium of Rs 2646.55 crore in the April to October period, compared to Rs 1974.61 crore in the same period last year.

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Circular

Source

First Year Premium of Life Insurers for the Period ended ended 31st October, 2016

Source

Monthly Business Figures - Non Life

Source

Operational guidelines for Foreign Reinsurers' Branches

Source

Constitution of Committee to make recommendations for Guidelines on Order of Preference for Reinsurance Cessions—Facultative and Treaty

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Global

ASEAN:Uniform financial framework to attract more insurers – Asia Insurance Review –edaily – 11th November, 2016

A standardised financial framework across the ASEAN Economic Community (AEC) will lead to the creation of new insurance companies and the expansion of existing ones, says Mr Arthapas Cheuasangpan, Acturial Analyst at Thailand's The Viriyah Insurance.

He told World Finance that the stronger regional economy which will result from ASEAN integration will ensure increased consumer demand for insurance products and lead to new insurance players in the market and expansion of existing businesses.

"At the moment though, there are examples where countries use different systems, or have different legislation, which makes it difficult for consumers and companies to do business across the region. In order to liberalise the insurance market, the AEC will aim to standardise the financial framework," he said adding that the changes fall under the AEC Blueprint 2025.

Separately, Ms Evelina Pietruschka, Secretary General of the ASEAN Insurance Council, told A.M. Best that the second annual ASEAN Insurance Council Summit, which will take place on 23 November in Yogyakarta, aims to re-position the region's insurance sector so that it can become stronger and help develop the economies of the ASEAN countries.

Ms Pietruschka said discussions at the summit to be held between regulators and the private sector in ASEAN "hope to address all the issues and changes in regulations concerning the growth of the insurance sector".

Source

In order to achieve the maximum benefit from these discussions, she said the summit will focus on, Marine, Aviation and Transportation (MAT) matters, the level of education in the insurance sector, the infrastructure gap among the countries in the region, disaster financing and microinsurance.

Back

China:Plans to relax insurers' foreign ownership rule - Asia Insurance Review –edaily – 14th November, 2016

China plans to gradually relax foreign ownership restrictions for life insurance companies and fund managers, British Finance Minister Philip Hammond said last week after meeting Chinese Vice Premier Ma Kai.

China and the UK agreed to deepen ties between their financial services industries. The plan includes measures to permit British financial firms greater access to Chinese markets, and vice versa. The financial services sector would act as a a template for cooperation in other sectors, reported Reuters quoting Mr Hammond who was speaking at a news conference alongside Mr Ma.

The two countries also agreed to forge closer links between London and Shanghai's stock exchanges. China agreed too to grant British banks licences to underwrite so-called panda bonds issued in China.
For its part, the UK has granted licenses permitting a handful of Chinese financial firms to open offices in London, including China Life Insurance.

The meeting between Mr Ma and Mr Hammond was part of the annual UK-China Economic and Financial Dialogue that aims to deepen economic and financial ties between the two countries.

"China commits to gradually raise the permitted equity holding of qualified foreign financial institutions in securities and mutual fund companies," according to a statement by both sides, adding that CIRC was "willing to work towards increasing foreign ownership of life insurance companies conducting business in China".

Source

The statement did not provide any further details on the potential rule changes.

Foreign investors are currently allowed to hold up to 50% of mainland Chinese life insurance companies and a maximum 49% stake in mainland mutual fund firms and securities brokerages.

Back

Japan:Govt to revamp premiums for public nursing care insurance - Asia Insurance Review –edaily – 22th November, 2016

Japan's Ministry of Health, Labour and Welfare plans to phase in a new method of calculating the premiums paid by people aged between 40 and 64 for the country's public nursing care insurance system.

The new format will lead to higher premiums on employees of large companies and lower rates for those working in smaller firms, reported Jiji Press.

The ministry is considering applying the new format to half of the sum paid by workers sometime during the fiscal year starting on 1 April 2017, with full implementation as early as the 2018-19 fiscal year, informed sources.

Beneficiaries currently bear 10% of the costs of the public nursing care insurance system, with the rest paid by public funds and premiums from citizens aged 40 to 64. Premiums paid by workers are split equally between employees and employers.

The base of the current format is the number of workers and their families belonging to health insurance societies. This has forced the Japan Health Insurance Association to shoulder a heavier burden than that of large firms' health insurance societies, because many of its members are societies of small and midsized companies. Under the new format, premiums will be calculated based on the aggregate incomes earned by workers, meaning that higher-paid workers at large companies will pay more premiums than at present while workers at smaller firms will pay less.

The government currently provides JPY145 billion (US$1.3 billion) in financial assistance a year to the Japan Health Insurance Association. The income-based calculation format will make government support for the association unnecessary, the sources said.

The ministry will also consider using the funds saved to support health insurance societies whose burden will grow due to the change, the sources said.

Mr Sadayuki Sakakibara, Chairman of Keidanren, the nation's biggest business lobby, has opposed the new format but indicated last month that the group could cooperate on condition that the government curbs expenditure under the nursing care insurance system.

Source

The new format will be included in a Bill to amend the nursing care insurance law, which will be submitted to next year's ordinary parliamentary session.

Back

Asia:UK insurers look to 8 priority markets for business - Asia Insurance Review –edaily – 23th November, 2016

China and India are identified as the top two priority markets for UK insurers, with a gradual approach needed to secure improvements in the ease of doing business there, according to the Association of British Insurers (ABI). Another six markets in Asia have been identified where ABI members are already active and there is high potential for progress and growth. They are: Hong Kong; Indonesia; Japan; Malaysia; Singapore and South Korea. The eight markets were chosen based on market size, growth potential, and the presence of existing commercial and regulatory relationships.

The ABI has submitted an industry paper to the UK government on the potential of the markets, highlighting also the main practices, including key protectionist or discriminatory practices, that need to be addressed in them if insurers are to expand further.

The issues include:

- Getting in place workable rules on investment, such as whether foreign insurers can set up subsidiaries or branches overseas;
- Easing restrictions on foreign direct investment, or limits on equity stakes in domestic insurers;
- Tackling discriminatory measures, such as reinsurance collateral requirements;
- Ensuring UK holding companies of international companies can carry out financial functions such as lending money to overseas subsidiaries, subscribing for shares in overseas subsidiaries, and receiving repayments, distributions and other returns of value back to the UK from overseas;
- Addressing barriers to moving skilled people into overseas markets.

Mr Huw Evans, Director General of the ABI said: "The UK insurance and long-term savings industry wants be a frontrunner in the race to make the most out of the new trade opportunities that are set to emerge following Brexit.

"To support this we are setting out the industry's priority markets and what we think needs to be done to open them up further. Many insurers are already operating in the markets identified, but the potential for further growth is palpable and exciting.

"With protectionist forces growing in strength across the world, the insurance industry can become a leading example of how free trade can benefit everyone. The UK is seen as a world leader, and can help many emerging and developed countries which exhibit significant under-insurance. Trade deals offer the opportunity of a partnership between the expertise and best practice of British providers and the growing insurance needs of these countries."

The UK insurance industry, the fourth largest in the world, is a net exporter to the tune of GBP1.8 billion (US$2.3 billion) and accounts for over 60% of total UK services exports.

Some developments have taken place recently. On 10 November, the UK and China agreed to deepen ties between their financial services industries, including allowing British financial firms greater access to Chinese markets, and vice versa. China agreed to gradually relax rules that prevent foreign investors from holding more than 50% of certain categories of financial firms operating in the country, including life insurance and mutual-fund companies. In addition, Lloyd's received approval earlier this month for its first reinsurance branch in India.

Source

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Oman:Mandatory health insurance for private sector by 2018 – Asia Insurance Review MEIR edaily – 13th November, 2016

Health insurance cover will be made compulsory for all private-sector workers by 2018, the Oman Chamber of Commerce and Industry ((OCCI) has told employers.

In a notice issued last week, the OCCI urged firms to adhere to the proposed mandatory scheme and provide health insurance coverage for all workers, reported Times of Oman. "Business should be informed about this and consider it when studying their future projects," the OCCI notice stated.

The plan is expected to be implemented over several phases and the Chamber hopes it can be rolled out by early 2018. The first phase will involve consultation with companies that have more than 100 employees to ensure cover for all staff. This phase is expected to start in early 2018, according to the OCCI.

Under the plan, the second phase will include companies which have between 50 and 100 employees.

Mr Ahmed Al Hooti, an OCCI member, noted that big companies are already providing medical insurance to their employees. However, some small companies are skipping health insurance coverage for their workforce.

He said: "Well-known big private companies in Oman make sure they provide their employees with health insurance but some are not committed to it, so we need to instruct them to do so. It is an ethical move," he said.

He added that during the current tough economic times, some companies have pulled out of providing some employee benefits like health insurance, reduced salaries or retrenched workers.

Recently, some insurers and medical centres have confirmed that several private-sector companies are excluding chronic and common medical conditions from health insurance plans due to belt-tightening measures.

According to government data, there were 215,109 Omanis working in the private sector while the number of expatriates in the sector was 1,764,059 at the end of September 2016.

Mandatory health insurance will be included in the Sultanate's new labour law which is expected to take effect soon.

Source

The Omani Ministry of Health has set up a committee to work out the best way to implement compulsory health insurance. Instead of a state scheme, the preferred mode is for health insurers to offer a range of packages.
http://www3.asiainsurancereview.com/News/View-NewsLetter-Article/id/37568/type/MiddleEast/Oman-Mandatory-health-insurance-for-private-sector-by-2018