भारतीय बीमा संस्थान INSURANCE INSTITUTE OF INDIA

Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"Description begins in the writer's imagination, but should finish in the reader's."

Stephen King

INSIDE THE ISSUE

Insurance Industry

Insurers see cancer claims going up every year - Financial Chronicle – 3rd February 2016

Most insurers are seeing the claim amount pertaining to cancer going up every year. Apart from increasing incidences of cancer, rising cost of treatment also has been leading to higher claims.

In the case of Max Bupa, the volume of claims for cancer has grown by 187 per cent year-on-year. The company observed an increase of 14 per cent in the average claim payout between 2013 and 2014. The average claim amount for cancer in 2013-14 was Rs 61,620 and this went up to Rs 70,374 in 2014-15. Tier I cities recorded almost double the claim amount against smaller cities. In 2014-15, the average claim amount in tier I cities was Rs 82,671 whereas Rs 44,200 in tier II cities.

Bajaj Allianz General Insurance finds that the cost of treatment for cancer has gone up significantly due to the advancements in cancer treatments. "We have seen a rise of close to 10 per cent in terms of claims payout for cancer related treatments in the last two years, owing to the rising cost of medical treatment. In comparison to other diseases, cancer requires prolonged treatment and screenings continue for a longer duration,' said Suresh Sugathan, head of health insurance, Bajaj Allianz General Insurance.

"Over the last few years the incidence of cancer has been on the rise in India as a result of unhealthy lifestyles, consumption of tobacco, improper diet, various kind of pollution etc. At Apollo Munich we had 2,255 cancer claims placed before us in 2014, while from January to November 2015, we saw 2,505 cancer claims. The rise in average claim amount has also been evident as we paid out average claim amount of Rs 1,24,117 in 2009-2010, and Rs 2,41,667 in 2014-2015," said Antony Jacob, chief executive officer, Apollo Munich Health Insurance.

Cancer-related claims from age group of above 40 too have increased from 59 per cent of the total claims to 62 per cent between 2013 and 2014, as per the data from Max Bupa. There is also an increase of 38 per cent in cancer claims from female in the last one year, said Ashish Mehrotra, CEO and MD, Max Bupa Health Insurance.

The data from Bajaj Allianz too showed that the maximum concentration of claims was seen in the age group of 45- 65 years. The claims were largely pertaining to breast cancer, which accounted for 12 per cent, colon cancer10 per cent and blood cancer and lung cancer 10 per cent.

Bajaj Allianz received close to 6,000 cancer treatment claims and majority of these claims were reported from metros. Mumbai topped in the number of claims with 21 per cent share.

The insurers find that a simple indemnity plan is not sufficient to meet the increasing treatment expenses.

"Just opting for a standard hospitalisation or health insurance policy will not provide adequate coverage as it will cover the hospitalization expenses. A critical illness policy will provide a lump sum amount upfront and the policyholder can avail the best treatment within the country or outside the country. This lump sum amount can also be utilized to take care of the financial liabilities." said Sugathan.

According to him, a combination of a health insurance plan to indemnify hospital expenses and critical illness plan will provide comprehensive coverage.

"The growing incidence of critical illnesses like cancer and the correspondingly increasing costs of treatment for such diseases is prompting consumers to purchase larger ticket size health insurance policies at a younger age," added Mehrotra.

"Our indemnity plans like heartbeat and health companion provide coverage for critical illnesses like cancer. Our heartbeat plan also offers cashless treatment abroad for critical illnesses like cancer across 190 countries up to sum insured of Rs 1 crore. Our fixed benefit plan health assurance provides a fixed lump sum amount up to Rs 10 lakh in case a customer contracts cancer," he added.

As per the latest Asia Cancer Trends Study by Swiss Reinsurance, the economic growth has powered a dynamic shift in lifestyles, with increased urbanisation, adoption of westernised diets and obesity contributing to an upward cancer trend and changing cancer pattern in Asian countries. This is predicted to lead to an increase in incidence of cancer in the region from the current level of 6.1 million to 10.6 million by 2030. According to the National Cancer Registry Programme, India will have close to 13 lakh cases of cancer by 2020, an increase of 14 per cent from 2015.

Source

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Centre will promulgate laws to provide insurance, EPF coverage for more workers: Modi - The Times of India – 2nd February 2016

Prime Minister Narendra Modi on Tuesday announced that central government would promulgate the Employees State Insurance Act and Employees Provident Fund Organisation Act for the benefit crores of organised and unorganised workers in the country.

After inaugurating Employees State Insurance Corporation (ESIC) Medical College and Hospital here, the prime minister said these new acts would provide more choice and increased coverage.

ESIC currently reaches out to two crore workers. "It currently covers seven lakh factories across the country thereby benefiting around two crore workers and 8 crore beneficiaries," he said.

In Tamil Nadu, 85,000 employers and 28 lakh insured people are members of this scheme, he said. "Coimbatore itself has nearly 27,000 employers."

The prime minister said his government was looking at simplifying labour laws to "increase the ease of doing business and facilitate job creation."

"The labour ministry is simplifying central labour laws by consolidating 44 laws into four labour codes—wages, industrial relations, safety, security and health" he said.

"We are building consensus on these reforms through extensive stakeholder consultations with employers, worker's representatives and state governments" he said.

Source

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India: Regulator asks insurers to control management expenses – Asia Insurance Review

The insurance regulator has asked insurers to offer a better deal to customers by controlling management expenses and offering better returns on the premiums collected from them.

"The industry is paying too much towards management expenses and this needs to be rectified, as we deal with people's money as custodians and are accountable to them," said Mr T S Vijayan, Chairman of the Insurance Regulatory and Development Authority of India, who spoke at the 18th Global Conference of Actuaries in Mumbai on Monday.

He urged the industry to design simpler products and simplify the distribution process so that the benefit of insurance reaches the masses. "Actuaries need to respond to the challenges and design cost effective products and focus on customer needs," he said.

Actuarial profession to get a boost

Earlier addressing the delegates, Mr Rajesh Dalmia, President, Institute of Actuaries of India (IAI) spoke of how the actuarial profession in India was undergoing a sea change through improved member services and implementation of professional standards.

"The actuarial profession still has a demand-supply mismatch around the world and so we at the IAI are keen to produce 100 actuaries every year," said Mr Dalmia.

The IAI currently has a mutual recognition agreement with the Institute and Faculty of Actuaries (IfoA) of the UK and most of the existing systems in India are adopted from the UK. With a view to enhancing the scope of the actuarial profession in India, the IAI has recently entered into a mutual recognition agreement with the Casualty Actuarial Society (CAS) of the US. An IAI Fellow may be granted Fellowship in CAS, subject to terms of the negotiated agreement and in turn, an actuary who is a CAS Fellow in CAS can be granted fellowship in the IAI.

Source

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Insurance Regulation

IRDAI floats draft norms for providing loans to employee – The Financial Express – 3rd February 2016

Insurance regulator IRDAI today floated draft norms on providing loans or temporary advances to full-time employees of the insurers.

"In view of the above, it has necessitated to frame regulations on loans and temporary advances to the full time employees of the insurers…No loans or temporary advances to non whole-time Director or to their relatives except as provided under Section 29 (1) of the Insurance Act, 1938," the draft said.

Insurance and Regulatory Development Authority of India said employees may be granted loans or temporary advances for loan for purchasing of car, loan for purchasing of personal computer, loan for purchasing of furniture.

Besides, loan for constructing or acquiring a house for personal use and advance for festival can be given by insurance company.

Any other purpose as may be specified by the Authority, it added.

"The interest rate charged on loan or temporary advances to whole-time directors and other officer cannot be lower than the rate charged on loans or temporary advances to the insurer's own employees," it added.

Source

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Simplify product distribution, IRDAI chief tells insurers - The Hindu Business Line – 1st February 2016

The regulator has asked insurers to simplify the way insurance products are distributed.

"Insurers can bring in simplified distribution within the existing framework itself," said TS Vijayan, Chairman, Insurance Regulatory and Development Authority of India (IRDAI), on the sidelines of the Institute of Actuaries of India summit.

Through regulations, such as management of expenses and commissions, IRDAI is trying to encourage companies to roll out simplified distribution structures.

He added that for simple products insurers can look at distributors, such as point of sales persons, while agents can be trained more comprehensively for selling more complex products.

Expense management

When asked whether IRDAI is having a re-look at the expenses management circular, Vijayan said shareholders must take cognisance of the expenses incurred by insurers. The IRDAI chief said unlike earlier where insurers had to pay penalties for exceeding their expense limits, the current proposed provisions, such as restriction on opening new branches, are likely to have a bigger impact.

Vijayan also said catastrophe insurance premiums could go up after the massive losses insurers faced in the Chennai floods recently.

Source

Life Insurance

Mis-selling topmost complaint in life insurance, but declining slowly - Business Standard – 29th January 2016

Source

Mis-selling, which dominates the grievances in the life insurance sector, has seen a reduction in the financial year 2014-15 compared to 2013-14, says the Insurance Regulatory and Development Authority of India (Irdai) Annual Report 2014-15.

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Health Insurance

Modi unveils plans for worker-friendly insurance policies - The Times of India – 3rd February 2016

Prime Minister Narendra Modi on Tuesday announced that the government is in the process of bringing in new legislation to secure the interests of both unorganised and organised workers. The Employees State Insurance Act and the Employees Provident Fund Organisation Act are aimed at providing a stronger welfare net.

Inaugurating a new Employees State Insurance Corporation (ESIC) Medical College and Hospital in Coimbatore, he said these new laws would provide more choice, increased coverage for workers and employers, and better and expanded range of services for organized sector workers. He hoped the Tamil Nadu government would act quickly to start the college.

The ESIC scheme entitles all government staff to free medical service at ESIC-run hospitals. There are 10 of them in TN. "This project worth Rs 580 crores will be a boon to ESIC beneficiaries," he said. "We should strive to make this medical college and hospital a model for high quality medical education and treatment to workers of the State," he said. ESIC has decided to adopt at least two model hospitals in each state. The Centre is committed to the development of a generous and comprehensive social safety net for all workers, he said.

Speaking extempore in English, Modi said his government was looking at simplifying labour laws to increase the ease of doing business and facilitate job creation. "The labour ministry is simplifying central labour laws by consolidating 44 laws into four labour codes-wages, industrial relations, safety, security and health" he said. He also hinted that talks were on with trade unions. "We are building consensus on these reforms through extensive stakeholder consultations with employers, worker's representatives and state governments" he said.

The government has approved a scheme for upgradation of existing state and Central government-run medical colleges to increase MBBS seats, he said. "Through this, we hope to increase 10,000 MBBS seats and support the colleges with funds for equipment and infrastructure. So far 23 medical colleges have been approved to increase over 1,700 MBBS seats." Four state government medical colleges in Tamil Nadu at Coimbatore, Kanyakumari, Tirunelveli and Madurai have been approved for upgradation by adding 345 more MBBS seats.

Prime Minister Narendra Modi decided to reach out to the two biggest stakeholders in an industrial town-businessmen and workers. While he assured industrialists that he was working on improving their ease of doing business, he told workers that his government was committed to increasing their pension security and health insurance options.

Giving the crores of unorganized and organized workers some good news, Prime Minister Narendra Modi announced that they are promulgating new Employees State Insurance Act and Employees Provident Fund Organisation Acts. The prime minister said these new acts would provide more choice, increase its coverage among sector.

In the city to inaugurate the new Employees State Insurance Corporation (ESIC) medical college and hospital and hand it over to the state government, the prime minister said that ESIC currently reaches out to two crore workers. "It currently covers seven lakh factories across the country thereby benefitting around 2 crore workers and 8 crore beneficiaries," he said. In Tamil Nadu, 85,000 employers and 28 lakh insured people are members of this scheme, he said. "Coimbatore itself has nearly 27,000 employers".

Source

Insurance industry seeks hike in tax exemption limit - The Times of India – 31st January 2016

Government should raise tax exemption limit for health insurance and introduce fiscal measures to help increase its penetration, say industry officials. The suggestions forms part of insurance sector wish-list for the Budget 2016-17 to be presented in Parliament on February 29.

"There is an impending need for further tax exemption as health insurance is still not adopted as a necessity for one's self and family.

"Further exemption will encourage people to get a health insurance policy with extended covers which is a necessity in today's time given the current medical inflation in the country", Future Generali India Insurance MD & CEO K G Krishnamoorthy Rao told PTI.

In the Union Budget 2015-16, government had increased the limit for income tax exemption for health insurance. Rao said it helped the company see fair increase in number of people opting for policies with up to Rs 10 lakh cover. Tata AIG general insurance chief financial officer Miranjit Mukherjee said the recent catastrophes and sufferings faced by people has highlighted that families in India are inadequately insured specially for their homes/dwellings.

"Hope government encourages families through fiscal measures to adequately insure their homes, which would ensure that families remain protected and also increase penetration of general insurance business in India", Mukherjee said.

Besides, he said, government must fast-track the Universal Health Schemes and spread it to as many states as possible."The government must put a road-map for introduction of the Goods and Services Tax (GST) so that there is clarity on the date on which GST would come in place", he said.

FundsIndia's Mutual Fund Research Head Vidya Bala said key bills like GST and land need fast approval to pep-up the overall business sentiment, adding there are steady changes happening at the ground level.

Source

The impact of various reform initiatives is widely expected to be seen in the next two financial year 2016-18 will then encourage private companies to spend their capital," she said.

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General Insurance

Irdai planning pan-India launch of e-motor cover - Financial Chronicle – 3rd February 2016

Insurance regulator Irdai is mulling to launch e-Vahan Bima for the rest of the country. The platform for e-Vahan Bima has been established after the data sharing was facilitated by the government of Telangana with the IIB (Insurance Information Bureau). This coupled with facilitation measures such as QR code and SMS service would enable the identification of the insured status of vehicle both from the company records as well as from the central database record of IIB as also the RTA database.

Such a measure would promote electronic motor insurance which can be leveraged to ensure that the sale of third party insurance can be facilitated in accessible points such as ATMs, pollution check centres, common service centres etc.

“Now that the Government of India, MORTH (Ministry of Road Transport and Highways) has also agreed to share the nationwide data with Irdai/IIB, e-Vahan Bima could also be extended to the rest of the country,” said an official document related to minutes of of the 91st meeting of Irdai.

Driving a motor vehicle without insurance in a public place is a punishable offence under Motor Vehicle Act 1988 and Third Party Insurance is a statutory requirement. Motor insurance gives protection to the vehicle owner against damage to his/her vehicle and pays for legal liability in case of any injury or damage to any third party life or property caused by the use of vehicle in a public place.

Irdai is of the view that issuance of electronic motor policies can be seen in the light of compliance with the law, cost efficiency, faster delivery of insurance policies and arresting fraud. “e-insurance policy” is a digitally signed insurance contract issued in an electronic form by an Insurer either directly to the policyholder or through the platform of registered insurance repository.

Insurers can issue the electronic policy through their portal or tie up with insurance repositories to manage the issuance. If insurers take this up on their own, they would still need to send the physical copy to the customer. Importantly, there is no extra cost involved for electronic motor insurance policy. It was also informed to the members that the QR code concept is proposed to be extend to other line of insurance business. It is learnt that some of the insurers, on their own, have taken steps in this direction.

Source

Meanwhile, with the amendments in the Insurance Act, 1938, Irdai is expected to come out with regulations that would fix threshold value for issue of electronic policies.

Back

Centre gears up to popularise crop insurance scheme, invite pvt insurance companies for bids - The Times of India – 3rd February 2016

The Centre's ambitious crop insurance scheme, announced last month, can prove to be attractive to farmers but only if its implementation is glitch free. The next step will, therefore, be the real test of the government when it invites empanelled private general insurance companies to bid for clusters of districts across the country.

The selection of insurance company from amongst the empanelled companies to act as an 'implementing agency' within the defined area will be done by the concerned state government. It will be done on the basis of the lowest weighted premium, quoted by these companies, for all notified crops within the particular cluster of districts.

Since the Centre aims to cover at least 50% of the total crop area of 194.40 million hectare under the new scheme in two years time, it has decided to involve its 642 Krishi Vigyan Kendra (KVKs), spread across the country, to reach out to as many farmers as possible in their respective districts to share information on the scheme which has provisions of very low premium and quick claim disbursements. Unlike existing schemes, it also has the advantage of getting insurance cover for post-harvest crops. Under the new scheme, the insurance coverage is available up to a maximum period of 14 days from harvesting for those crops which are kept in "cut and spread" condition to dry in the field against specific perils of cyclone and unseasonal rains.

Farmers under the new scheme will have to pay a uniform premium of only 2% for all Kharif crops and 1.5% for all Rabi crops as against the average premium rate of 5.5% for food-grains under the existing schemes which had last year covered only 20-25% of the total crop area. Existing schemes will now be replaced by the new scheme - called Prime Minister's Crop Insurance Scheme - once it is implemented from the Kharif crop cycle (beginning June).

"Messages of advantages under new scheme will reach the farmers through multiple efforts. The KVKs - institutions for imparting training to farmers and introducing them to new farm technology and sustainable agricultural practices - may play an important role in this regard", said a senior agriculture ministry official.

Besides, the ministry has also roped in IT & communications ministry to propagate the message through digital medium and mobile phones by spelling out the advantage of the scheme. The idea of such a move was discussed when the agriculture minister Radha Mohan Singh had held a meeting with IT & communications minister Ravi Shankar Prasad and HRD minister Smriti Irani on January 22.

Under the new scheme, it was decided that only one insurance company will exclusively be allocated one particular state or two-three areas in bigger state for at least three years to cover as many farmers as possible. "This move will allow a particular company to set up infrastructure and make rapport with the farmers of the area so that more and more farmers come under the insurance net", said the official.

Source

Back

Crop insurance scheme may leave out tenant farmers – The Hindu – 3rd February 2016

The Pradhan Mantri Fasal Bima Yojna (PMFBY), which the NDA government showcases as the shield against all risks faced by farmers, has failed to be universal because there is a need for a comprehensive crop and income insurance scheme covering income and yield risks for all farmers and all crops.

All India Kisan Sabha joint secretary Vijoo Krishnan said on Tuesday that farmer suicides had continued nationwide for more than two decades since the neo-liberal economic policies were put in place.

"However, the ruling classes have sought to underplay the unprecedented human tragedy and linked the plight of farmers to the weather. What Prime Minister Narendra Modi is proposing is to insure farmers from the vagaries of nature. What is actually required is to insure them from the adversities created by deliberate government policies," he said.

He said the PMFBY continued the mandatory covering of loanee farmers. Non-loanee farmers, tenant farmers and share-croppers were likely to remain outside its ambit. "Dalits and Adivasis, socially and economically oppressed, will also be excluded from the scheme. To be truly inclusive, the Central and State governments must subsidise the entire premium for the poor, small and marginal farmers, tenant farmers, share-croppers as well as Adivasi and dalit farmers," he said. The central committee of the All India Kisan Sabha met in Delhi and discussed the situation. Mr. Krishnan said members felt that trade liberalisation and free trade agreements exposed farmers to the volatility in world markets. An uncontrolled increase in input prices, coupled with a fall in the prices of farm goods, had become a regular phenomenon. MSP did not cover production cost, he pointed out.

Source

Back

Irdai calls for price corrections to help general insurers - The Financial Express – 2nd February 2016

In the last few years, profits of the general insurance companies were hit by three major natural catastrophes – floods in Tamil Nadu and Jammu & Kashmir floods and cyclone Hud-Hud. To ensure that natural calamities do not adversely impact the insurance companies, the regulator feels the need for some price correction for general insurance companies.

Speaking on the sidelines of the 18th Global Conference of Actuaries (GCA) TS Vijayan, chairman of the Insurance Regulatory and Development Authority of India (Irdai), said, "General insurance is not making a lot of money. I think some price correction will be required when there is a disaster, especially in a concentrated area." The Indian insurance industry received claims worth over R10,000-12,000 crore following various catastrophes in the last three years. Insurers have already received claims of around R4,800 crore after the recent floods in Tamil Nadu.

Irdai chairman also reposed his faith in the insurance industry to grow at a faster pace than being experienced currently. "The Asian markets have recorded a real growth of 6.5%, emerging markets grew at 7.4%, and advanced countries grew by 2.9%, while India could only grow at 1.8% in 2014-15. In this year, we should be able to make up for the growth and industry need to identify which are the things relevant for capturing customer's mind and wallet share," said Vijayan.

Vijayan said actuaries have great responsibility to ensure that we remain trusties of customers through the changes in technology, products as well as regulations. "We have to get a better deal for the customers. The industry has seen close to R25 lakh crores invested by customers. This is due to the trust and commitment reposed by customers in the industry. Trust is not a one-time affair; it has to be renewed every time," concluded Vijayan.

Source

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Insurers fear Irdai draft norm may hit profits - Financial Chronicle – 31st January 2016

The Irdai is mostly likely to release soon a fourth draft on expenses of management as insurers have lobbied heavily with the regulator to scuttle a third draft on this. Life insurers strongly believe their profitability can be hit if the already issued draft is implemented.

The Life Insurance Council (an association of life insurers) met the Insurance Regulatory and Development Authority of India (Irdai) last week. Sources told FC that the regulator has confirmed that it would release another draft (which will be the fourth version) of these regulations soon.

The present draft norms cap expenses of management that insurance companies can withdraw from policyholder's premium. It also states that any amount in excess of the expense limits in each line of business must be charged to shareholders' account. Expenses of management refer to all charges incurred either directly or indirectly and include commission payments to distributors of all kinds, operating expenses and other expenses debited from the revenue account.

The Irdai in third draft enforces caps on expenses similar to those under the erstwhile insurance rules (prior to the passage of FDI), but with lower expense allowances—both as a percentage of renewal premium and first-year premium written. The norms also state that in case of non-compliance of management expense norms the regulator would restrict the performance incentives to managing director/chief executive director (CEO)/ whole-time directors and key management persons (KMPs). Key management personnel would include chief executive officer, chief financial officer, chief risk officer, chief investment officer, chief actuary and appointed actuary. In addition, insurers could be restricted to open new places of business and/or face penal action, including removal of key management personnel or appointment of administrator.

The norms take into consideration the size, age of the insurer and type of business segments, while laying down the limits of such expenses.

"We do not dispute the philosophy of these draft norms. The basic idea is that besides commissions to distributors, there are other expenses which the Irdai wants them to be at a reasonable level as unlimited expenses will impact the policyholders' premiums. We don't dispute with this philosophy, but the implementation of these norms. We will be providing more data to the regulator to support our case. The regulator has confirmed to us in the meeting that it will release another draft of these regulations," said a managing director and chief executive officer of a private life insurance company.

"We have asked the Irdai to increase the allowance on renewal premium, allow expenses related to lapsed policies. Also there are many insurers who are doing more rural business and should be given more allowance. The regulator has said that it will come out with another draft but did not indicate anything on shareholders bearing the expenses that are in excess of the limits," said the managing director and chief executive officer of a another leading private life insurance company.

Many life insurance companies have not been able to comply with the old management expense limits despite completing 12-15 years of operations. In its annual report 2014-15 released recently, the Irdai said that it had initiated action against nine life insurers that were non-compliant with the expense of management limits under the Rule 17D of the Insurance Act.

As per the draft norms, while limits must be satisfied by the insurers at the company level, the limits will also be assessed by line of business (at a segment level). Any amounts in excess of the limits in each segment must be charged to the shareholders' account. As per the norms, the proposed allowance on first-year premium is 50 per cent to 70 per cent based on the premium paying term of the business, and while group protection business has an allowance of 5 per cent, the group funds business has an allowance of only 1 per cent of premium.

Sanket Kawatkar, principal and consulting actuary at Milliman (an international actuarial firm), said, "The proposed limits on expenses of management of life insurers will pose serious challenges for many private sector life insurance companies and their participating business in particular. Companies compliant at an aggregate level may not be compliant within each of the business segments. This is allowed as per the proposed regulations, but could be an important issue for participating business, as any expenses in excess of the proposed limits, which were previously shared with the policyholder in theratio of 90/10, will now be borne fully by the shareholders."

Post the Ulip regulations 2010, many companies shifted to selling traditional policies that have better commissions for distributors and better margins for insurers. At present, around 50-60 per cent of the new sales by private life insurers are from participating traditional policies where policyholders get 90 per cent of the profits generated by life insurers in the form of bonuses while the remaining 10 per cent of the profit is given to shareholders.

New business margins under participating business (which comprises around 70 per cent of the annualised new business premium in FY 2015), could come down if shareholders bear a larger share of the costs incurred. However, better cost efficiencies and lower charges to participating funds will, in the long run, hopefully lead to better policyholder returns and more innovative and efficient distribution models—a goal which has so far eluded many players over the past 15years since the commencement of their operations," added Kawatkar. "For those smaller insurers, where the economies of scale required are simply out of reach in the medium term, we may witness companies pulling back from participating business," said Kawatkar.

Source

Reinsurance

IRDA's new reinsurance guidelines favour public sector firm GIC Re - The Indian Express – 1st February 2016

The Insurance Regulatory and Development Authority (IRDA) has revised its regulations for the reinsurers, giving preference to public sector reinsurer GIC Re in the domestic insurance sector.

"Every Indian insurer has to offer its reinsurance business to Indian reinsurer and then to other reinsurers like foreign reinsures which are having branches in India, Lloyd's and reinsurers which are having branches in special economic zone of GIFT in Ahmedabad," IRDA said. In April last year, IRDA had originally released guidelines giving preference to GIC Re, but it revised the norms later following objections raised by foreign players. However, the government representative on the IRDA board spoke against the revised guidelines, forcing the IRDA to revamp the norms again.

The current rules grant parity to all three parties, saying that every Indian insurer, in order of priority, should first offer an opportunity to the Indian reinsurer to participate in its reinsurance business or a foreign reinsurer which maintains a 50 per cent minimum retention or to other Indian insurers. The Insurance Laws (Amendment) Act, 2015, permits foreign reinsurance companies and Lloyds to set up branch office in India.

The IRDA had said "based on the advice received from the Government of India" in a meeting on November 24, it proposed to amend the regulations to require Indian insurers to first offer to the Indian reinsurer —GIC Re is the only Indian reinsurer now with 52 per cent market share — the choice to participate in their facultative and treaty surpluses before other players.

Further, IRDAI regulations clarify that a foreign reinsurer branch cannot cede more than 50 per cent of its total reinsurance placements made outside India with its parent company. Based on necessity, the Indian reinsurer should organise domestic pools for reinsurance surpluses in consultation with all Indian insurers and foreign reinsurer branches.

IRDA will also advise the Indian reinsurer to organise domestic pools for reinsurance surpluses. These regulations will equally be applicable for all reinsurance arrangements of the pool. Every Indian insurer, reinsurer and foreign reinsurance branch should maintain the maximum possible retention commensurate with its financial strength, quality of risks and volume of business, IRDA's new draft says.

Source

The reinsurance programme of every Indian insurer, reinsurer and foreign reinsurance branch will be guided by objectives like maximising retention within the country, develop adequate capacity, secure the best possible protection for the reinsurance costs incurred and simplify the administration of business.

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Survey & Reports

Only 30% of young adults buy health cover: survey - Financial Chronicle – 4th February 2016

Almost half of the young adults in top cities suffer from lifestyle disorders, but 25 per cent of them did not have even employer-provided health cover and only 30 per cent bought a personal cover, says a survey by Bajaj Allianz General Insurance. The survey adults aged between 23 and 35 years in top nine cities found that 45 per cent of the respondents was suffering from some lifestyle disorders, which included chronic body pain, obesity-related issues, hypertension, diabetes and respiratory disorders. However, 25 per cent of them did not have any health cover.

Of the respondents, who had some health cover, 60 per cent had an employer-provided mediclaim policy. Almost 30 per cent had a personal cover along with the employer cover and 10 per cent had only a personal cover.

Buying a personal health cover is largely for tax saving purposes as among 76 per cent of respondents who had availed of a personal health insurance cover said they invested in the instrument as a tax saving measure. Only 24 per cent got it as a financial security net against medical problems.

"If you start early, you can easily avail of a plan without any obstacles at a lower premium. Also, you can complete the waiting periods in your younger days and avail of the full benefits of your health cover at a later stage in life when you need it the most. Besides, the health insurance premium would account for just a minor part of your overall annual expenses but it will protect you against huge out of pocket spends during medical emergencies. Hence, is advisable to opt for a personal health insurance plan at a young age when you are healthy and have time on your side," said Suresh Sugathan, head, health insurance, Bajaj Allianz General Insurance.

Among those who did not have a health insurance cover, 46 per cent felt that it was expensive and 22 per cent felt they were too young to invest in such a cover. Almost 15 per cent of these respondents found that the insurance products were complicated and 17 per cent were unaware about health insurance products.

Most of the beneficiaries of the employer-provided health cover did not find the need to buy a separate health insurance cover since they felt the existing cover was sufficient to take care of their medical expenses. A few cited the rising cost of purchasing a personal insurance cover as a deterrent and did not want to shell out money from their own pocket towards a health cover.

"Employer-provided medical policies are tailor-made plans for an organisation and are customised according to the benefits that the management wants to extend to its employees. At all times, the employer-provided cover might not meet your individual health insurance requirements in terms of coverage, number of dependents or family definition as well as your state of health and might have certain limitations. Hence, it is always advisable to have an individual health insurance plan that suits your needs, fits your budget and reduces your out-of-pocket expenses that keep increasing with a simultaneous rise in medical inflation," said Sugathan.

Ensuring a healthier and more productive workforce to drive economic growth will require a significant increase in overall healthcare spending combined with a reduction in the proportion of out-of the-pocket spending," added Ashish Mehrotra, MD & CEO Max Bupa Health Insurance.

Source

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IRDAI Circular

Source

IRDAI issued exposure draft regarding Insurance Regulatory and Development Authority of India (Loans or Temporary advances to the Full-time Employees of the Insurers) Regulations, 2016

Source

IRDAI released updated list of Insurance Marketing Firms as on 31.01.2016.

Source

IRDAI issued exposure draft regarding Insurance Regulatory and Development Authority of India (General Insurance-Reinsurance) Regulations, 2016.

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Global News

Japan: Commercial insurance premiums forecast to grow by 5.3% this year – Asia Insurance Review

Commercial insurance premium growth in Japan is expected to improve to 5.3% in 2016, says global reinsurance giant Swiss Re in its report, " Japan's Commercial Insurance Market", released yesterday. One factor boosting growth is the decision by the Japanese government to delay the second sales tax hike from last October to April 2017, a move which should help maintain business and consumer sentiment, says the report. By line of business, fire, casualty and motor insurance should continue to drive sector growth.

In addition, although economic recovery was weak, the latest indicators reflect a gradually improving growth backdrop. Real GDP growth is forecast to improve 1.3% this year, from an estimated 0.7% in 2015. Commercial insurance premiums are estimated to have grown modestly in 2015, up 2.8% to JPY4,088 billion (US$34 billion).

While economic growth is the main driver of demand for commercial insurance, several underlying trends are shaping the longer-term outlook. Japan's declining manufacturing activity and industrial assets do not bode well for the sector. That said, increased awareness of business interruption risk will likely support demand for property insurance.

Also, the growing services industry should boost demand in liability, as services firms are relatively more exposed to liability and financial risks. Moreover, many large Japanese firms operate globally and are exposed to different liability regimes via their exports and foreign subsidiaries. The interplay of different macro, financial sector, regulatory, and physical and virtual realities, alongside societal and political dynamics in the markets in which they operate, create a complex liability risk landscape. Increasing exposure to foreign liability risks will likely generate more demand for global liability cover.

Technological developments are also changing the environment. For example, cyber security represents a significant source of both, reputational and business interruption risk, and has become an increasingly important item on the corporate agenda in recent years. While different industries are seeking coverage for new and emerging risks, regulators are tightening requirements over data privacy and consumer protection, among others. Increasing awareness of the potential damage to reputation and business interruption will likely drive growing demand for liability and cyber risk coverage.

Swiss Re notes that profitability in both personal and commercial lines in Japan has improved in the last three years amidst a benign claims environment. The motor segment has also benefited from stronger premium rates. However, non-life insurers' 2015 results will be impacted by the several typhoons that hit Japan over the course of the year, including typhoons Goni and Etau. Preliminary estimates of the typhoon-related losses from the three largest insurance groups exceeded the JPY121-billion level.

Source

Japan's commercial insurance market is the third largest in the world after the US and China. By line of business, motor accounted for 39.8% of premiums written in the commercial insurance sector in Japan in 2014, followed by property (19.1%) and liability (16.9%). Japan has the biggest estimated property protection gap in the world with US$41 billion representing 242% of the property insurance premiums that were written by local non-life insurers in 2014, says the report.

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Taiwan: Life insurers to see negative spreads ease – Asia Insurance Review

A persistent decline in the costs of insurance liabilities and improvements in recurring investment yields on rising market interest rates will reduce Taiwanese life insurers' negative interest spreads, according to Fitch Ratings.

In its report, "2016 Outlook: Taiwan's Insurance Sector", released last month, Fitch said however that the life sector's outlook remains “Negative” as it expects that the high guaranteed rates of legacy policies will still constrain the sector's profitability at least in the near term.

Life insurers' costs of insurance liabilities have been dropping by about 10 bp per year with inflows of low-guaranteed-rate policies. Fitch estimates that large insurers have lower funding costs at below 3.5% after including mortality/morbidity and loading gains, versus above 4.5% for some small insurers. Rising interest rates would help improve returns from life insurers' assets, which have shorter duration than their insurance liabilities.

Asset risk is the key concern in the life sector, as life insurers have taken significant overseas investments at 55.7% of invested assets at end-August 2015. They are increasingly involved in corporate bonds, financial debentures and sovereign bonds of emerging markets, shifting from treasuries and agency bonds issued by developed countries. Their capitalisation, therefore, is vulnerable to unfavourable movements in the capital and currency markets.

Non-life insurers

For non-life insurers, their 'Stable' sector outlook is supported by strong capital buffers and satisfactory underwriting performance, with combined ratios generally below 95%. Non-life insurers' aggregate equity-to-assets ratio was 32% at end-August 2015. They had also accumulated claims equalisation reserves of 13% of total assets by end-2014. The sector's underwriting leverage remains low, at around 1x between 2011 and 2014, as measured by net premiums written/shareholders' equity.

Source

Philippines: Insurance industry to see premiums rise by 28% this year to US$6 bln – Asia Insurance Review

The Philippine insurance industry is tipped to sustain its robust growth with regulators expecting premium revenue to increase by 28% this year to PHP300 billion (US$6.3 billion).

Insurance Commissioner, Mr Emmanuel Dooc, said that a 28% growth is an ambitious goal for the insurance sector as growth in premium income traditionally averages only around PHP58 billion annually, reported the Manila Bulletin.

"I believe PHP300 billion is achievable," he said.

"Maybe we can reach PHP234-billion premium income last year," Mr Dooc told reporters. He added that the insurance industry would need to increase premiums by around PHP66 billion this year to reach the PHP300 billion figure.

Last month, Mr Dooc said that premium income grew 18.15% last year to PHP234 billion from 2014's PHP197.2 billion. He also said that insurance penetration likely reached 2% as of end-2015, although this rate is still lower than the ASEAN average of 3%. The Insurance Commission is targeting to hit a penetration rate of 3% in 2019, when total premiums are expected to breach PHP500 billion.

Source