



Insurance Institute of India

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INSUNEWS

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Insurance Industry

Good stock market helps life insurers grow AUMs - Financial Chronicle

Despite falling new business premiums, renewal premiums and high surrender payouts to policyholders, life insurers have managed to show positive growth in their assets under management — thanks to good returns posted by the stock market.

According to data compiled by Financial Chronicle, the top six private life insurance companies saw their assets under management (AUM) grow by eight per cent to Rs 240,533 crore (Rs 2.4 lakh crore) during 2012-13. The AUM for 2011-12 was Rs 222,836 crore (Rs 2.22 lakh crore).

The life insurers surveyed were ICICI Prudential Life Insurance, SBI Life Insurance, HDFC Life, Max Life Insurance, Bajaj Allianz Life Insurance and Reliance Life Insurance.

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IRDA Regulation

Irda sets norms for foreign branches of insurance firms - Financial Chronicle

Board resolution necessary for opening an office abroad

The Insurance Regulatory and Development Authority (Irda) on Thursday issued guidelines for insurance companies wanting to open subsidiaries/branch offices outside India. According to the norms, an insurer should be making profits for the last three years out of the five years of operations and having a clean regulatory compliance track. The norms said that the minimum net worth for opening a foreign subsidiary/branch should be Rs 500 crore for a domestic life insurance company, Rs 250 crore for a non-life insurance company and Rs 750 crore for a reinsurance company, besides having the prescribed solvency. The insurer should also have a board resolution for opening a foreign office.

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Insurance regulator meets brokers, assures steps to address concerns - Business Standard

The Insurance Regulatory and Development Authority (Irda) has assured the broking community that it would address issues raised by the latter, such as high penalties, short-term licences and service tax on reinsurance brokers.

In a meeting with the Insurance Broking Association of India (IBAI) representatives and intermediaries from companies, in Hyderabad today, Irda chairman T S Vijayan was sympathetic to their issues, said an official, who did not want to be named.

According to sector officials, brokers have demanded a reduction in penalties. They have argued that as their size is smaller as compared to an insurance company, they cannot be treated on the same footing as insurers while imposing penalties. The parties concerned have been given time till May 31 to give their suggestions on the issues and solutions.

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IRDA asks insurers to keep policyholders' records for 5 years - The Economic Times

Amid allegations of insurance products being used for money laundering, sector regulator IRDA today asked insurers to keep records of customers and beneficiaries for five years after termination of business relationship.

"The record of documents evidencing identity of customers and beneficial owners as well as account files and business correspondence relating to the customer shall be maintained for at least a period of five years after the business relationship with the customer has ended," IRDA said.

Insurers and agents are also required to maintain the records of all transactions for a period of five years from the date of transaction.

The new guidelines are in line with the changes in the Prevention of Money Laundering (Amendment) Act, 2012.

The Insurance Regulatory and Development Authority (IRDA) is already examining the allegations of money laundering levelled against certain insurance companies and had said action would be taken against the guilty.

Online portal Cobrapost has named a large number of banks and insurance companies for allegedly "running a nation-wide money laundering racket".

The four insurance companies which figured in its list are alleged to have violated the Know Your Customer (KYC) and Anti Money Laundering (AML) Guidelines.

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General Insurance

Iran offers insurance to India refiners to spur oil sales - The Economic Times

Iran has offered insurance for Indian refiners to boost its crude sales, industry sources said on Monday, as the Islamic nation looks to counter a fall in revenues hit by tough western sanctions.

US and European Union sanctions aimed at choking the flow of oil money into Iran and forcing Tehran to negotiate curbing its controversial nuclear programme slashed its crude exports in half in 2012, costing it as much as \$5 billion a month.

The sanctions have forced refiners in India, Iran's second-largest oil buyer, to reduce imports because Indian insurers have said they can no longer cover refineries that process Iranian crude.

"They (Iran) said they can provide insurance for our refineries," said one of the sources, after a meeting between Indian Oil Minister Veerappa Moily with his Iranian counterpart Rostam Qasemi.

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IRDA Circular

IRDA has issued the circular vide Ref No IRDA/SDD/GDL/CIR/104/05/2013 on AML/CFT guidelines to all chairman / CEOs of all insurance companies.

This is further to IRDA circular no. IRDA/SUR/MISC/CIR/ /063/04/2013 on **Integrated Surveyors Licensing Management System**. The Web-Based Integrated Licensing Management System would now be available to new users and existing trainee surveyors.

IRDA has released the circular vide Ref No IRDA/SUR/MISC/CIR/088/05/2013 regarding the Pre-Recruitment Examination of Insurance Agents to CEOs of Insurance companies.

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Global News

Insurers lack conduct risk strategies - PwC

A UK survey from risk management consultancy PwC suggests that while insurers are aware of the importance of good corporate governance, a majority do not have a clearly laid out strategy for conduct risk.

Insurers lack compliance strategies for conduct risk, according to a corporate governance survey undertaken by PwC.

The risk management consultancy said insurers had a high level of awareness of governance issues, but this did not translate into clear strategy for the bulk of firms.

Over 55% of respondents did not have a clearly defined conduct risk strategy in place within their organisation, noted PwC.

PwC suggested there is industry awareness that “further work is necessary in establishing an underlying conduct risk framework, through which conduct risk is managed from board level to the rest of the company”.

The survey suggested that two thirds of organisations have not communicated their conduct strategy with employees, and the majority still face the challenge of defining “conduct risk appetite”.

“Insurance companies must focus on their customers to embed conduct risk in their organisations. The conduct agenda is a great opportunity to get closer to their customers and help rebuild consumer trust in financial services,” said Ian Woodhouse, insurance director at PwC.

“This can be done by looking at the full customer journey and the processes involved - from marketing to point of sale to product provision, and placing appropriate controls around these,” he added.

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China: CIRC considers reform of guaranteed interest rate

CIRC is set to resume steps to liberalise the assumed, or guaranteed interest rate for non-participating life insurance policies, after suspending the reform programme the last three years.

For a start, CIRC will widen the assumed interest rate cap from 2.5% to 3.5% on non-participating life insurance products, according to Chinese media reports. The 2.5% guaranteed rate determines the cash value of such insurance policies or the return an insurer gives to policyholders. The rate has been unchanged since it was fixed in 1999.

Sources, who attended a meeting in March held by CIRC to discuss premium pricing reforms, say the regulator has received a proposal on the subject and that the change could be implemented by the end of this year. It is understood that if the guaranteed interest rate was raised to 3.5%, premiums could fall by 6-10%.

Industry sources also say the reform process is being revived because of the slowing growth of the life insurance market. The authorities hope to arrest the slowdown by allowing life insurers to pay higher returns on some policies to make them more attractive to customers.

To prevent insurers from offering excessive returns, regulators will cap the guaranteed interest rate at 3.5% gain. Insurers that offer returns on policies of more than 3.5% will need regulatory approval and must set aside additional reserves. Such reserves would be reflected in the companies' solvency ratios.

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However, this move is seen as a pilot test because of its limited scale. Non-participating life products account only for a fraction of the market which is dominated by participating and universal life insurance policies.

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