INSURANCE INSTITUTE OF INDIA
भारतीय बीमा संस्थान

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"It is not in the stars to hold our destiny but in ourselves."
William Shakespeare

INSIDE THE ISSUE

Insurance Industry

Insurance scheme for rail passengers declared – Financial Chronicle – 25th February 2016

The proposed cover will provide insurance protection against train accidents, hospitalisation due to such mishaps and baggage loss.

To minimise financial losses to passengers from untoward incidents, the Indian Railways is working with insurance companies to offer optional travel insurance for train journeys at the time of booking.

The proposed cover will provide insurance protection against train accidents, hospitalisation due to such mishaps and baggage loss. According to estimates, there are 13 million rail passengers daily and assuming that even 30 per cent of the passengers opt for insurance cover, the opportunity could range between Rs 50 crore and Rs 100 crore of premium.

Shreeraj Deshpande, head of health insurance, Future Generali India Insurance said, "This is a good initiative as it increases insurance penetration and gives some financial protection to passengers against unfortunate circumstances while travelling.

These policies will also fit the pocket of travellers as these may be priced as per the duration of the journey. Having said that, the most important aspect is how these insurance policies will be made available to customers because there are two places from where travellers buy insurance -- online or at the window. Hence, the mode and ease of purchasing these policies will be important factors to be consi dered."

"This is an important opportunity as it will cover passengers for hospitalisation due to accident, personal accident and loss of baggage. Passengers should be encouraged to look at it. The government should provide customers to buy the cover online on the railway ticketing system. This will help insurers to get the precise details of customers which in turn will help in speedy settlement of claims," said Sanjay Datta, chief underwriting, claims and reinsurance at ICICI Lombard General Insurance.

Currently, airlines offer the option of insurance to customers while booking their flight tickets. Domestic travel insurance products for rail and air passengers cover trip cancellation, accidental death, accidental medical expenses, accommodation charges due to trip delay and emergency medical evacuation benefits.

Travel insurance currently accounts for a miniscule portion of the total premium of the insurance sector, but is growing in healthy double digits on a small base. Of this, more than 90 per cent of the premium comes from outbound travel.

Travellers give the least importance to insurance when travelling within India and only two per cent of them buy travel insurance policies for domestic trips, as per data from Bajaj Allianz General Insurance.

M Ravichandran, president, insurance, Tata AIG General Insurance, said, "Presently, the Indian domestic travel insurance market is about 8-10 per cent of the total travel insurance market of Rs 500 crore. Out of the current domestic travel insurance market the major chunk is generated by the airline sector. Hence, this move will only help to increase the penetration of travel insurance in India through the railway sector."

Source

IRDAI Regulation

Response to FDI cap hike impressive: IRDAI chief - The Hindu Business Line – 23rd February 2016

The insurance industry is undergoing significant changes, thanks to the recent increase in upper limit of foreign direct investment (FDI) to 49 per cent from 26 per cent. Ranging from regulatory overhaul in line with the new norms to mounting interest of the foreign joint venture partners of Indian insurers, the sector is abuzz with activity. TS Vijayan, Chairman, Insurance Regulatory and Development Authority of India (IRDAI), who has just completed three years in office, spoke about the current developments in insurance and the way forward in an exclusive interview to BusinessLine . Edited excerpts:

How has been the response to raising the FDI cap to 49 per cent? What about alignment of regulations with the hike in FDI limit?

The response has been quite good. The Insurance Laws (Amendment Act), 2015, has allowed enhancement of foreign investment to 49 per cent from 26 per cent while also providing the 'Indian owned and controlled' criterion.

So far, 16 applications were received for increase in foreign investment. Of these, six applications involving inflow of Rs. 2,556 crore, were cleared by the IRDAI and Foreign Investment Promotion Board (FIPB). With reference to regulations, 21 were notified, and an equal number is on the anvil. Largely, we hope to complete the task by the end of this financial year.

The industry players have not responded to the guidelines issued earlier permitting them to go for initial public offers. What is your take on this?

Yes. There has been no response so far. But I expect some transaction soon. The valuations we saw in the proposals seeking hike in foreign investments are quite encouraging. Further, not everybody is interested in hiking stake to 49 per cent fully and is leaving some space. This is a positive indication, and I expect to see interest in IPOs soon.

What areas, in your opinion, hold potential for insurance cover?

While there are several areas, I would like to mention three at this stage — pure life cover, property insurance and crop insurance. The total sum assured under life insurance in our country is around 60 per cent of GDP while the comparative figure globally is close to 150 per cent. In developed markets, such as the US, the UK and Japan, it is over 250 per cent. There is need to motivate people to go for pure life cover even while retaining the existing savings-cum-risk covers.

The recent Chennai floods and the not-so-distant Uttarakhand disaster stress the need for popularising property insurance by all stakeholders. Similarly, only 25 per cent of farmers and 10 per cent agricultural output are covered under crop insurance. The recent Pradhan Mantri Fasal Bima Yojana could make a positive impact.

You recently revamped regulations pertaining to agents. How has been the response?

The guidelines were broadly welcomed by all. They removed certain entry barriers in the insurance agency system and liberalised the recruitment of insurance agents with apt checks to protect the interests of policyholders. Now the authority is converting these guidelines into regulation after duly factoring in the experience received.

What about availability of actuaries in the country?

The insurance industry is heavily dependent on actuaries for valuation, design of products, and monitoring risk aspects and financial condition. While the basic actuarial needs are broadly met with in the life insurance segment, comparatively lesser number of actuaries is engaged by general insurers. To protect the interests of policyholders, the Authority is also considering putting in place a panel of actuaries and will use their services should it feel that the required actuarial functions are not adequately carried out in any insurance company.

Do you plan to permit over-the-counter products in insurance?

OTC insurance products should have the features of transparency, instant issue of policies, disclosure of benefits upfront, and be free from complexity. I feel that in insurance we should definitely know who is selling and how he/she is equipped to do so.

OTC products should be distribution-neutral which can be sold in common service centres, online and intermediary counters, etc. Currently, the Authority is in discussion with the insurance industry after which the regulatory approach will be firmed up.

What is your outlook for the insurance industry?
The industry is showing a positive trend in its business performance. With the latest amendments, new regulations, IT initiatives and introduction of new distribution channels, it will progress further.

Schemes such as Jan Dhan Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Prandhan Mantri Suraksha Yojana and Fasal Bima Yojana will reach a significant proportion of the hitherto uncovered population. I think non-life business is likely to cross Rs. 1-lakh crore while we cannot give a figure to life business as yet because almost 40 per cent business happens in the last quarter of a financial year.

What are other steps being taken by IRDAI to promote insurance?
We are looking at facilitating sale of low-ticket policies for low-income segments through IT-enabled platforms. The guidelines for electronic policies have already been issued and framing of regulation is currently on in this regard.

Source

We also recently launched e-Vahana Bima in Telangana and are looking to bridge the gap in subscription of motor insurance by working with the Ministry of Road Transport and Highways, and the police and transport departments.

Back

Insurers can speed up products for corporate clients - Business Standard – 20th February 2016

Corporate clients will have time-bound access to general insurance after the Insurance Regulatory and Development Authority (Irdai) said commercial products in general insurance would be sold under use-and-file procedures.

Insurers follow file-and-use guidelines, which means a product has to be filed with the regulator with details of how it will be priced, structured and featured. The regulator then decides whether to approve it. Clarifications are also sought from insurers before approval.

Use-and-file allows insurers to market products without prior approval of the Irdai. The new guidelines will come into force from April 1.

“With use-and-file, more products can be launched for the commercial sector. However, we as insurers also need to set up a product management team to look into this,” said the head of products at a general insurance company.

The Irdai requires all retail products, including their modification, to be filed under file-and-use procedures. Also, products offered to commercial customers with a sum insured up to Rs 5 crore are to be filed under file-and-use procedures.

Insurers have to set up a product management committee to review all products in existence. All new products proposed are to be filed with the authority.

Source

Deviations from underwriting policy have to be brought to the board for approval by the product management committee.

Back

Irdai on use-and-file products - Business Standard – 19th February 2016

The Insurance Regulatory and Development Authority of India (IRDAI) has said that commercial products in general insurance will be sold under use-and-file procedures.

Use-and-file is a procedure where the insurer is permitted to market the product without prior noting of IRDAI. The guidelines will come into force with effect from April 1, 2016.

The procedure requires the products to be necessarily filed with the Authority before these are marketed. In its guidelines on product filing for general insurance companies, IRDAI said that all retail products (including their modifications) shall be filed with the authority under File and Use procedures.

However, the commercial products offered to commercial customers (such as micro small & medium enterprises, small shops and establishments, trustees, cooperative societies etc.) with a policy sum insured up to Rs 5 crore (for package policies fire section Sum Insured) or as prescribed by the Authority from time to time shall be filed under File and Use Procedures.

However, the regulator said that all products under File and Use procedures need thorough scrutiny and recommendations made by the Product Management Committee of the insurer.

The insurer, in view of File and Use and Use and File procedures, has to set up a Product Management Committee to review and recommend all the products that are in existence either continues to be offered/withdraw/modify. It also said that all new products proposed to be filed with the Authority.

The deviations, if any, from the underwriting policy has to be brought to the notice of the board for approval by PMC. It added that the deviations should not be undertaken in a routine manner, except in extreme exigencies by recording full facts.

The PMC has to submit reports independently to the insurer and assist insurer in effective control over the risks posed, in particular, by insurance products being sold by the insurer. In order to be in consistence with the board approved underwriting policy, the PMC will carry out a due diligence process and record its concurrence/sign off on various product related risks for all products falling under File and Use and Use and File procedures.

It should necessarily include the high level officials of insurer, who are primarily responsible in product design, from departments like underwriting, marketing, actuary and claims among others. It is suggested to include the following designates in the PMC.

However, the CEO of the insurer will have an overall responsibility for ensuring that a robust due diligence process is in place to mitigate risks of new and current products.

"The role of PMC is very important under these guidelines, which is required to act as a self governing body within the insurance company to ensure quality product design, filing with complete compliance of regulatory requirements and performance review," said IRDAI.

With respect to tenders for the tender process for the proposed insurance schemes sponsored by government, IRDAI said that insurers should not canvass business through a non-participative process of tendering or e-bidding including to any government undertaking or PSU. The regulator said that it is reiterated that limiting competition to price alone is against the interests of the client to whom quotation is offered and since the policyholders' fund ultimately is affected by the results of the business, it is generally against policyholders' interests.

With respect to commercial products under use-and-file, IRDAI said that pricing should be made based on sound actuarial calculations, supportive data and the discounts/loadings offered should be on objective basis with appropriate justifications duly certified by the Appointed Actuary.

However, nothing prevents the Authority to check the filings in detail and the Authority, if finds the product is not in the interests of the policyholders or not in conformity with the regulatory compliance, may advise to suspend or withdraw or to re-file even under File and Use Procedures.

Source

Back

Life Insurance

Digital issuance of insurance policies sooner than later - Financial Chronicle – 25th February 2016

The evolution of insurance repositories and electronic issuance of insurance policies will get a boost as insurance regulator Irdai is taking steps to fast track this space. ITrex (Insurance Transaction Exchange) has already been upgraded to create shell insurance accounts and also to provide KYC repository services. Insurers are required to upload certain details in respect of all policyholders for creation of shell insurance accounts that would lead to roll out of KYC repository services. Irdai has now asked entities to complete initial upload of the existing policyholder data up to December 31, 2015 by March this year.

Shell insurance account is an electronic account wherein the brief portfolio of insurance policies of policyholders (including prospective) like name, date of birth, address and policy number are held in an electronic form with iTrex.

The Insurance Regulatory and Development Authority of India (Irdai) had in May 2015 released the 'revised guidelines on insurance repositories and electronic issuance of Insurance policies'. That was the first time that the creation of shell insurance accounts and KYC repository at the iTrex was envisaged.

"As per clause 21 of the above guidelines, insurers are required to upload certain details in respect of all policyholders for creation of shell insurance accounts that would lead to roll out of KYC repository services. It is now advised that insurers shall take following steps to upload data in respect of each of the policies held by their respective policyholders," Irdai said.

"Complete initial upload of existing policyholder data up to December 31, 2015 by March 31, 2016... For the incremental data (policyholder data from January 1 this year and for all subsequent dates), the insurers may use the web-services created by iTrex for this purpose," Irdai added.

An e-insurance account can be opened either directly with any of the insurance repositories or through an insurer. As per industry officials, once you have an e-insurance account, iTrex will automatically map all policies from the shell account to your e-insurance account so that you can then choose to digitise all your policies.

In an interview with Financial Chronicle in December 2015, Anuj Mathur, CEO, Canara HSBC Oriental Bank of Commerce Life Insurance, had said electronic policies and record keeping is the direction for the future not only for insurance but in general for record keeping at the individual level. This is also in line with the focus on digital and the need to prepare oneself for the future.

"Having said so, every new initiative has a gestation period before it is accepted by the consumers. The adaptation cycle has to be hastened through an increased awareness and communication about the value that it offers. We (& the Industry) are in the initial phases of the evolution cycle and are taking measures to hasten the adaptability cycle from a consumer perspective. There is work that needs to be done in this area in the coming times," Mathur added.

Recently, Life Insurance Corporation of India (LIC), the country's largest life insurer, had announced the launch of its own insurance repository LIC E-services. Insurance repositories that are authorised to open e-insurance accounts include NSDL Database Management, CDSL Insurance Repository, Karvy Insurance Repository and CAMS Repository Services.

Source

Back

Insurance industry saw agent attrition in 2015 - The Financial Express – 24th February 2016

The Indian life insurance industry witnessed attrition of individual agents in the last calendar year following average growth and slowing of sales of policies.

The data from the Life Insurance Council shows that the industry had over 21.59 lakh individual agents as on December 2014, and the number declined to 20.43 lakh as on December 2015.

In order to tide over the tough times, insurers have changed the strategy of hiring large number of agents. Instead, they are taking the right kind of agents who are serious about selling insurance products.

"There is no point in hiring agents, who after some months switch to another insurance company to earn extra commission. It is always better to have dedicated people who can bring in extra value to our company," said the CEO of a leading insurance company.

Private players such as Bajaj Allianz Life Insurance, Aviva Life, and Max Life, among others, have seen decline in the number of individual agents in the last calendar year compared with the previous year. On the other hand, insurers like Reliance Life, SBI Life, HDFC Life, Kotak Mahindra Life witnessed rise in the number of agents.

Arijit Basu, managing director and CEO at SBI Life, said, "We have deliberately brought down number of agents in the last few years. Our strategy has been to remove agents who were inactive or not contributing in the business, and focus on recruiting right kind of agents."

Data from the Life Insurance Council shows that SBI Life had over 87,866 individual agents as on December 2015 and the company wants to it to go up to 90,000-93,000 by the end of current financial year. While top private players added agents, state-run Life Insurance Corporation of India (LIC) has seen fall in the number of agents. The data says that LIC had 11.78 lakh individual agents as on December 2014, which came down to 10.76 lakh in December 2015.

At a recent conference, LIC chairman SK Roy said, "Attrition of agents is very specific to individual companies. Reduction of the number of agents is very internal decision of LIC. While we need to focus on growing number of agents, we need to focus on their productivity as well, and that is very key concern for us. People who are engaged in this industry as distributors of insurance should be in a position a certain amount of money out of this profession."

Source

Back

First-year premium of life insurers grows in January - The Financial Express – 19th February 2016

The new business premium of life insurers grew 13% in terms of annualised premium equivalent in January. State-owned LIC's new business premium grew 14% y-o-y and that of private insurers at 12% y-o-y in January this year. LIC continues to have high share of single premium at 71%. Private insurers have generally been selective in this segment as it has a share of 29%. In the group business, the share of private insurers increased to 23% from 16% in December last year.

Source

Back

Give Ulip investments the SIP edge, switch to monthly premiums: Insurers to investors – The Times of India – 19th February 2016

Despite the sustained fall in stock markets, financial planners are advising retail investors to continue investing in equities in a staggered manner through the systematic investment plan (SIP) route. And taking a cue from that, some Ulip holders have taken to paying premiums every month instead of the usual annual mode, say insurers. "Some smart Ulip holders are switching to the monthly premium payment mode to make their Ulip investments work like a mutual fund SIP," said Anuj Mathur, MD, Canara HSBC OBC Life Insurance.

"Distributors have been recommending this mode to investors so that they gain from rupee cost averaging," added Yash Mohan Prasad, chief marketing officer, Edelweiss Tokio Life Insurance. Though policyholders have to pay slightly higher premiums in monthly mode compared to annual mode, Ulip holders should choose the monthly premium payment option as a rule, say financial planners. "It is likely to be a slightly more expensive proposition, but the benefits it can yield make up for it. If you are not already on monthly mode, you should switch now," said financial planner Abhinav Gulechha.

Typically, the total premium outgo in a year if you opt for the monthly mode is higher than the annual premium. In addition, some insurers levy a charge of Rs 50 for making changes in the premium payment mode. Ulips also allow investors to shift between equities and debt, even during the first 5 years of compulsory lock-in. Insurers and investment advisors are advising investors to use this and benefit from the current stock market turmoil.

"Those who have invested in debt options could use this occasion to shift a part of their investments into equities," said AK Sridhar, chief investment officer, IndiaFirst Life Insurance. However, you need to take the final call based on your overall asset allocation, treating Ulips as part of it. "If the proportion of debt has increased due to fall in the value of equity investments, you must direct more funds into equities to keep your asset allocation intact," said Gulechha.

Source

Back

HANGING PERSPECTIVE - Gen Y Prefers to Buy Pure Life Term Plans Online - The Economic Times (Delhi) – 19th February 2016

Insurance in India has for long been confused with investment but, according to industry officials, this perception may have slowly started changing with many new generation policy buyers opting for pure life protection plans. According to top life insurers, the share of term policies to total business has doubled to about 5-7% in 2015 on an average. This is, however, just about scratching the surface as term policies account for around 50% share in developed economies such as the USA and Japan.

Insurers said new generation buyers mostly buy pure life protection plans online. “Digital marketing has helped term insurance sales of late. Customers who are buying term policies are typically better educated and financially strong,“ said Rajesh Sud, vice chairman and managing director at Max Life Insurance. A term plan is the simplest of products to buy and it is easier to compare between policies offered by different insurers, he said.

Term insurance refers to life insurance policy that provides coverage for a certain period, or a specified “term“. The insurer pays the sum insured in case of death within the specified term, but the insured does not get any returns when the term ends.

SBI Life Insurance CEO Arijit Basu said the share of term policies has risen to about 10-12% in 2015 from about 5% three-four years ago. Aegon Life Insurance said 10-11% of its business comes from term insurance while nearly a quarter of its policies sold are term policies. “I see the protection market moving very fast with financial awareness rising. In another 15 years' time, the market should grow to world class level,“ said Amit Kumar Roy , chief distribution officer at Aegon Life Insurance.

Source

Max Life's Sud said term insurance accounts for 3% of its business and 6% of number of policies it sells. “It will be unfair to say that only term policies give protection. We are also trying to embed protection in our traditional plans,“ he said.

Back

Health Insurance

Budget may unveil health insurance scheme for elderly - Financial Chronicle – 21st February 2016

Government is working on a cashless health insurance scheme for senior citizens, which may be announced in the upcoming Union Budget 2016-17. Around Rs 10,000 crore -- lying unclaimed in banks and insurance companies, EPFO and small savings schemes -- would be utilised for providing the health insurance cover to the elderly, sources said.

Senior citizens are often dependent on their children or extended families for healthcare, they said, adding that the proposed scheme will help in meeting secondary and tertiary health care needs. The quantum of insurance cover would be more than Rs 50,000 for person over 60 years.

Finance minister Arun Jaitley will present the central budget for the next financial year on February 29. The proposed scheme will be administered by the department of financial services under the finance ministry.

The government proposes to link this scheme to bank accounts of beneficiaries to directly transfer the subsidised amount to the accounts. As per the proposal, the government would subsidise the premium for those below poverty line by up to 90 per cent through cash transfers to their bank accounts.

It's not that the government will forfeit these unclaimed funds, sources said, adding that if claimants come forward they will be paid because the fund would be revolving in nature, sources said.

Health insurance scheme for senior citizen would be a logical extension of the ongoing low premium life insurance (Pradhan Mantri Jeevan Jyoti Bima Yojana), general insurance (Pradhan Mantri Suraksha Bima Yojana) and pension plan (Atal Pension Yojana) of the government, sources said.

The Pradhan Mantri Jeevan Jyoti Bima Yojana offers a renewable one-year life cover of Rs 2 lakh to all savings bank account holders in the age group of 18-50 years, covering death due to any reason, for a premium of Rs 330 per annum. The Pradhan Mantri Suraksha Bima Yojana offers a renewable one-year accidental death-cum-disability cover of Rs 2 lakh for partial/permanent disability to all savings bank account holders in the age group of 18-70 years for a premium of Rs 12 per annum per subscriber.

Source

The Atal Pension Yojana focuses on the unorganised sector and provide subscribers a fixed minimum pension of Rs 1,000, Rs 2,000, Rs 3,000, Rs 4,000 or Rs 5,000 per month, starting at the age of 60 years, depending on the contribution option exercised on entering at an age between 18 and 40 years.

General Insurance

Wider coverage to see crop bill ballooning - The Financial Express – 24th February 2016

The Centre's expenditure on subsidising the premium paid by farmers for crop insurance will likely see a 125% jump to Rs 7,000 crore in the next financial year, thanks to the newly launched crop insurance programme, the Pradhan Mantri Fasal Bima Yojana (PMFBY). A steeper hike in allocation under PMFBY would be seen in 2017-18 as it would take a few months to put in place the requisite infrastructure for assessment of crop losses before rolling out the programme on a pan-India basis.

Under PMFBY, the premia paid by farmers would be capped at 2% of the insured value for the more rain-dependent kharif crop and 1.5% for the rabi season, compared with 3.5-8% under the two existing schemes. In the case of horticultural crops, farmers' premium burden will be 5% of the sum assured or 50% of the total premium.

Sources told FE that while the estimated cost to the government to run the crop insurance scheme is Rs 3,100 crore for FY16, the allocation would need to be much higher under PMFBY next year as the scheme not only would bring more farmers under its ambit but also entail higher subsidises per premium value. "With the premium falling to as low as 1.5% of the sum insured under the PMFBY in the rabi season, farmers would be hugely interested in opting for the new crop insurance scheme," said T Haque, former chairman, Commission for Agricultural Costs and Prices.

Only 20 million of an estimated 140 million farmers in the country — earning for a population four to five times as many — had crop insurance cover in 2014-15, even as the facility was just against the cost of cultivation and barely provided any income protection. According to agriculture ministry data, most of the farmers who took crop insurance were in Rajasthan, Bihar, Uttar Pradesh, Maharashtra, Karnataka and Andhra Pradesh. In terms of the value of the farm output, the current schemes — the Modified National Agricultural Insurance Scheme and the Weather-based Crop Insurance Scheme — fare even more dismally, with a coverage of just 5.5%.

The new scheme, sources said, would ensure that farmers get the full sum insured without any reduction or hassles from the 11 designated insurance companies if natural calamities ravage their crops. Also, the crop insurance coverage would rise from 45 million hectares or 23% of the area under cultivation now to 50% of the crop area by FY19. The cost of the premium subsidy will be shared equally between the Centre and states.

Another benefit to farmers is that losses incurred by them at any stage of the farming activity — from the sowing to the post-harvest season ? would be covered under the new scheme. Currently, only post-harvest losses can be offset by the insurance facility under the two existing schemes. Also, even those farmers who haven't taken bank loans will be eligible for insurance cover under PMFBY.

For dealing with delays in settlement of compensation, the new crop insurance policy proposes immediate payment of 25% of the sum insured to farmers for crop damage and use of latest technologies ? drones, smartphones, mobile apps and satellite imaginary ? to assess crop damage in the shortest possible time.

Currently, the government-owned Agriculture Insurance Company of India (AICI) and 10 other private sector companies offer crop insurance products to farmers. AICI has the largest share of the market at 65%. The new scheme would cover tenancy farmers who take up farming in land not owned by them. The Centre would ask the state government to provide tenancy certificates to eligible farmers.

Source

Back

New norms for non-life product filing process - Financial Chronicle – 22nd February 2016

Insurance regulator Irdai has come out with guidelines on product filing procedures for general insurers, which will come into effect from April. These guidelines provide a revised regulatory framework for the 'file and use' procedures and 'use and file' procedures for general insurance products, the Insurance Regulatory and Development Authority of India (Irdai) said.

The 'file and use' procedures require the products to be necessarily filed with the Irdai before these are marketed. All retail products (including their modifications) have to be filed with the authority under 'file and use' procedures. The commercial products will fall under 'use and file' procedures.

However, the commercial products offered to customers (such as micro small & medium enterprises, small shops and establishments, trustees, cooperative societies to name a few) with a policy sum insured up to Rs 5 crore (for package policies fire section sum insured) or as prescribed by the authority from time to time have to be filed under 'file and use' procedures, Irdai said.

With the reclassification of general insurance products and introduction of 'use and file' procedures under these norms, the responsibility is placed on the product management committee (PMC) and senior management of insurers to ensure proper due diligence of product design and protection of the policy holders interests.

The products, which were filed by the insurer and noted by the Irdai under the earlier 'file and use' guidelines, need not be re-filed under the present guidelines unless the insurer undertakes any change in the rates, terms or conditions of such products.

However, the insurers now have to classify the products either as 'retail' (for products sold to individual customers, including their families) or 'commercial' products. A product filed for commercial customers cannot be sold to individual customers.

"Products should be need-based so that unnecessary and superfluous coverage are not added and the necessary ones are not excluded. Suitability and affordability should be kept in mind. The design of insurance product should take care of policyholders' reasonable expectations. Insurance product design should ensure transparency and clarity in wordings, terms, coverage, exclusions and conditions in order to devise a fair and balanced risk transfer mechanism through insurance. Design and rating of products must always be on sound and prudent underwriting and actuarial basis and should provide clarity and transparency that is of value to the policyholder or prospect," Irdai said.

On pricing, Irdai has said that the pricing and design of the product, as far as possible, must aim at making the product to stand of its own, generating a reasonable margin and without any cross subsidisation from any other product.

Source

On the PMC, Irdai said that insurers, in view of 'file and use' and 'use and file' procedures, have to set up a product management committee to review and recommend (i) all the products that are in existence either continues to be offered/ withdraw/ modify and (ii) new products proposed to be filed with the authority.

Back

Crop insurance scheme biggest gift to farmers since Independence: Min - The Pioneer – 19th February 2016

Union Agriculture Minister Radhamohan Singh said that the Modi Government has worked in the interest of the farmers and the poor from Day 1. He also explained the benefits of new crop insurance scheme. He said that this is the biggest gift to farmers since Independence. He hoped that like other schemes Madhya Pradesh would also be pioneer in implementation of this scheme.

Describing the Prime Minsiter Modi as the most farmers friendly Singh said that he has enhanced country's prestige and respect in the world. The farmers have worked hard with exemplary fortitude defying all odds. The calamity affected farmers have been given relief to the tune of `4800 crore in the State. The Central Government has greatly helped the farmers by providing assistance of `2000 crore. Crop insurance amount of `4,300 crore is being credited to the bank accounts of farmers. They are getting more relief than crop loss, he added.

Minister for External Affairs Sushma Swaraj said that the Modi government has very outstanding achievements to its credit and crop insurance scheme is one of them. Irrigation plans are being drawn up in all districts of Madhya Pradesh. This would lead to further improvement in farm sector.

Minister for Steel and Minisng Narendra Singh Tomar assured maximum cooperation from the centre to Madhya Pradesh. He said that Madhya Pradesh is marching ahead in agriculture sector through innovations and irrigation facility.

Source

Minister for Social Justice Thavar Chand Gahalot described the crop insurance scheme as a unique gift to the farmers.

Survey & Report

'46% salaried youth find health cover costly' - The Economic Times – 20th February 2016

Nearly 46% of young professionals feel health insurance is expensive, with another 22% feeling that they were too young to need it, a survey said.

The survey also revealed that 25% of people in the 23-35 age group were uninsured for their health needs. And even among those insured, more than 60% relied primarily on the group health insurance cover provided by their employer.

"During crises, people complain that the insurance policy doesn't cover everything, there are too many exclusions and they have to pay the hospital from their pocket. What they don't realize is that employer-provided medical policies are tailor-made plans for an organization. It is not a one-size-fits-all," said Suresh Sugathan, head-health insurance, Bajaj Allianz General Insurance, which conducted the survey.

A majority - 76% - thinks health insurance was a tax-saving measure and that they didn't see an intrinsic need for the policy.

The study, which interviewed 1,100 working professionals in 23-35 age group from New Delhi, Mumbai, Kolkata, Chennai, Bangalore, Pune, Hyderabad, Gurgaon and Goa, said only a minority saw a mediclaim as a necessity - 15% viewed health policies as complicated and another 17% were blissfully unaware.

What is a little alarming is that the survey found as many as 45% of those surveyed suffered from lifestyle disorders like chronic body pain, muscle spasms, joint pain, chronic backache. About 20% were obese and 18% had hypertension. "We were surprised to note that about 10% suffered from respiratory disorders and 8% from frequent digestive disorders. A majority said that they had these conditions only because of the sedentary nature of their jobs," he said.

About 28% felt that the early onset of such diseases was due to an unhealthy diet, stress in the workplace and lack of exercise. "It is important to start early. If you apply for health insurance early in life, you can keep renewing it every year for a minimal sum. But if you took the same health cover at 45, the premium would cost you 5-10 times more than if you were to take it in your twenties," he said.

There is also the option of a top-up if one doesn't want the hassle of going for a separate personal health plan. "Most insurers can offer a top-up on the group insurance cover the employer providers, that's quite comprehensive and can cover all your health needs. So that policyholders needn't feel aggrieved when a large part of their claim is uncovered - because of the exclusions that insurers and hospitals have in the fine print," he said.

And to people relating being young with being fit, the survey says that it is a myth. Only about 15% of respondents exercised seven hours a week. "The motivation to buy a personal health insurance cover must not be the cost or that it is a tax saving measure. It should be purchased as a safety net," said Sugathan.

Source

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IRDAI Circular

Source

IRDAI issued notification regarding Insurance (Appeal to Securities Appellate Tribunal) Rules, 2016.

Source

IRDAI issued notification regarding Insurance (Procedure for Holding Inquiry by Adjudicating Officer) Rules, 2016.

Source

IRDAI issued notification regarding Insurance Regulatory and Development Authority of India (Inspection and Fee for Supply of Copies of Returns) Regulations, 2015.

Source

IRDAI uploaded the sIA data on iTrex (Insurance Transaction Exchange) Server to all life insures & IRs.

Global News

Australia: Health insurance sector reports higher profits – Asia Insurance Review

Health insurers are getting increasingly profitable, pocketing an extra A$106 million (US$76 million) in the past year-- an increase of 10%. New official figures show their collective net earnings rose to A$1.19 billion in 2015 from A$1.08 billion the year before. The rate at which their profits are expanding sped up by 50%, because the 2014 result was an increase of only A$70 million, reported News Corp Australia Network.

This is due to a widening in the insurers' "gross margin" as premium revenue growth (A$1.38 billion to A$21.4 billion) outpaces the increase in payments to customers receiving treatments (A$1.037 billion to A$18.5 billion). The surplus capital held by funds soared by A$566 million or 11% over the year. Health Minister Ms Sussan Ley said the profit figures indicated some health insurers had "room to move" on premiums.

"This is precisely why I asked insurers for a rethink on submissions this year, which more accurately reflected their financial position and deliver a better deal for their customers," Ms Ley said, referring to health insurers' submissions for premium increases. She had said that the insurers have to justify the proposed hikes.

Consumers Health Forum CEO Leanne Wells said that the gap between the premium revenue health funds receive and what they pay out in benefits was at an all-time high of A$3.1 billion. "This is unacceptable particularly given that taxpayers already finance health insurance to the tune of A$6 billion a year through the health insurance rebates," Ms Wells said.

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Malaysia: Life insurance sector sees single-digit growth – Asia Insurance Review

The Malaysian life insurance industry grew by 4.3% to MYR4.91 billion (US$1.17 billion) in 2015 as measured by new business annual premium equivalent (APE), according to Life Assurance Association of Malaysia (LIAM) Life Insurance Association of Malaysia (LIAM). On new business total premium basis, the industry grew 1.8% in 2015 with total premiums reaching MYR9.12 billion.

Overall insurance coverage amounted to MYR1.24 trillion in sum assured for all policies combined in 2015, which is 6.2% higher than the corresponding figure of MYR1.17 trillion in 2014. The industry provided protection to 12.5 million lives (multiple policies are considered separate) in 2015, an increase of 129,015 compared with the preceding year. The per capita sum assured also increased to MYR39,929 in 2015 from MYR38,075 in 2014.

LIAM President Toi See Jong said the healthy performance of the life insurance industry reflected the continued increase in awareness among Malaysians of the importance of insurance protection. However, LIAM said the per capita sum assured of MYR39,929 was still "way below the amount needed" to support one family member in the event of the death or disability of the breadwinner. Based on a 2012 underinsurance study in Malaysia undertaken by University Kebangsaan Malaysia and LIAM, the average mortality gap for each member of a family is about MYR100,000 to MYR150,000.

"Recognising this, the industry together with LIAM, will continue to step up efforts and intensify the various consumer awareness campaigns and promotional activities to further increase the awareness level among all Malaysians and reduce the insurance protection gap," Mr Toi said.

The life insurance sector is expected to achieve a moderate single-digit growth this year in view of the uncertainties faced by the global and local economies, LIAM said. However it is optimistic that the life insurance industry is resilient to economic pressure as insurance penetration is low and the protection gap is large.

In addition, the strong focus by Bank Negara and the industry to increase the insurance penetration rate as well as the Life Insurance and Family Takaful Framework (LIFE Framework), which came into force last November will drive growth.

"We believe that the various initiatives within the three pillars in LIFE Framework will have significant impact on the life insurance industry. The encouragement of alternative distribution channels will have a huge impact in expanding the reach and penetration of insurance in Malaysia.

"The opportunities in the digital and direct channels, will not only improve transparency and enable easier product comparisons, but also increase the reach and penetration of insurance among the new generation of consumers who are more educated and IT savvy," Mr Toi said.

"The introduction of the balanced score card is expected to improve the productivity and professionalism of insurance agents, and in turn will also further enhance the brand image and the attractiveness of the insurance industry, which augurs well for the industry to meet the government's vision of achieving 75% penetration rate by 2020 and reduce the protection gap among Malaysians." The Framework's three pillars are greater flexibility to manage operating expenses; diversified distribution channels to widen outreach and strengthened market conduct to enhance consumer protection.

Source

Back

Indonesia: Takaful grows faster than conventional business in 2015 – Asia Insurance Review

Takaful contributions in the Indonesian market grew by around 4.1% to around IDR10.5 trillion (US$777 million) in 2015, slower than the previous year amid a slowdown in the country's real GDP growth. But the Islamic insurance growth was 2.5 times as fast as that of the conventional insurance segment that posted more modest growth of 1.6%, according to Fitch Ratings. In its report, "Indonesia Takaful Dashboard", Fitch says that takaful expanded to account for 6.2% of Indonesia's insurance market by gross written premiums in 2015, from 2.6% in 2010. Indonesia, the world's largest Muslim country of more than 200 million, offers vast, untapped potential for takaful products, the report said.

The insurance law introduced in 2014 stipulates that conventional insurance/reinsurance companies have to spin off their Shariah divisions when the combined "tabarru" funds (the funds contributed by participants) and investment funds of the participants of the relevant sharia unit are at least equal to 50% of the total insurance or, in any event, within 10 years from the promulgation of the law. Fitch expects the mandatory spin-off regulation to stimulate growth and competitiveness of the Indonesian takaful industry in the longer term. Insurance companies are likely to focus on boosting their Shariah businesses, and gradually enhancing their capacity and capitalisation to achieve the maturity needed to finally be independent of their conventional siblings. Nonetheless, Fitch believes any market consolidation is expected to happen gradually, given the conditions and ample timeframe set by the regulator for insurers to fully develop their takaful units.

Source