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INSUNEWS

- Weekly e-Newsletter

29th Aug - 4th Sept 2014

• Quote for the Week •

"The price of greatness is responsibility"

Winston Churchill

INSIDE THE ISSUE

Source

Insurance Industry

Insurance Bill: Rajya Sabha select panel to meet today (Thursday 4th Sept) - The Indian Express

The Select Committee of the Rajya Sabha on the Insurance Laws (Amendment) Bill is set to hold its first meeting on Thursday. "All the members as well as finance ministry officials will be present. But since it is the first meeting, it will be of an introductory nature," said a person close to the development.

The panel is expected to fix up the agenda for the next meetings as well as timeline for holding each meeting, said the source, adding, "It is imperative that we submit our report on schedule. So we will be working on a tight timeframe."

Apart from discussing the Bill with the government and insurance regulator Irda, the panel is also expected to seek views from public sector and private sector insurers. It has also received a number of representations, which it will take up over the course of its meetings. The Select Committee was set up after the Rajya Sabha on August 14 decided to a special panel to examine the amendments proposed by the NDA government.

While the Bill primarily seeks to hike the composite foreign direct investment cap in the insurance sector to 49 per cent from the current cap of 26 per cent, it has also proposed other changes including permitting stake sales in state owned insurance firms, curb mis-selling and enhance investor protection measures.

However, Opposition parties had opposed the Bill forcing the government to refer it to the Select Committee. The panel, led by senior BJP MP Chandan Mitra, is expected to submit its report to the Parliament within the first week of the Winter Session.

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Insurance companies can't make unilateral changes in mediclaim policies: Forum - the Times of India

In two separate cases, a consumer forum has held that unilateral changes made in a mediclaim policy by the insurance company amounted to deficiency in service. In both cases the forum relied on a Supreme Court judgment which observed that renewal of an insurance policy means repetition of the original policy.

"In common parlance, by renewal, the old policy is revived and it is sort of a substitution of obligations under the old policy unless such policy provides otherwise. It may be that on renewal, a new contract comes into being, but the said contract is on the same terms as of the original policy," the SC had said.

The forum directed The New India Assurance Company Ltd to reimburse Rs 87,186 and pay compensation of Rs 27,000, to Dadar resident Soli Modi. The firm had sanctioned Rs 62,814, instead of the assured sum of Rs 1.5 lakh that Modi had incurred in a hernia surgery in 2012.

In the complaint filed before the Central Mumbai District Consumer Disputes Redressal Forum, Soli said on perusing the reasons for sanctioning only a part amount of the claim, it was noticed that the deductions were made on account of changes in the policy terms that were made without his knowledge.

In the second instance, a Dahisar woman who had undergone a hysterectomy in 2011, was sanctioned Rs 22,500 instead of the Rs 1.2 lakh incurred as charges for the surgery and tests. On probing the reason for the art rejection, she learnt that her policy was changed from an Individual policy to a Janta policy without her consent.

"The insurance firm and third-party administrator have acted arbitrarily and tried to modify the terms...of the earlier policies issued to her husband. The firm had indulged in unfair trade practices by issuing Janta Policy and under the garb of that policy curtailed the rights of the complainant which were available to her...under the old policies," the forum said. The woman will get Rs 20,000 compensation and Rs 42,624 reimbursement.

Source

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Life Insurnace

Life insurers see a rebound in growth - The Hindu Business Line

Overall improvement in the macro-economic scenario has led to a rebound in growth for life insurers this fiscal so far, showed data released by the insurance regulator. The individual business premium collection for the industry grew 14 per cent to Rs 10,087.2 crore as of June, 2014, against Rs 8,839.9 crore in the year-ago period, according to Insurance Regulatory and Development Authority data.

Regulatory changes

The life insurance industry has been reeling under a slowdown in individual new business premium collection for the last couple of years due to a series of regulatory changes and slowing growth in the economy. Vibha Padalkar, ED and CFO of HDFC Life, said her company has seen a revival in new business premium collection growth this year.

In the previous fiscal, the company saw de-growth as it undertook a series of quality control measures such as concurrent audits and verification calls. Padalkar said: "This year, due to improvement in the economic environment and sustained rally in the equity market, we have also seen inflows in unit-linked products. Last year, we saw net outflows from equities. I expect big life insurance players to continue to grow faster than the industry due to their wider distribution base." The state-owned life insurance giant Life Insurance Corporation saw a 13.4 per cent increase in individual new business premium collection at Rs 6,795.14 crore as of June 2014.

Private life insurers too notched up good numbers. While HDFC Life's new business premium collections stood at Rs 810.40 crore as of June, 2014, up 38.6 per cent year-on-year; ICICI Prudential Life Insurance mopped up Rs 782.21 crore during the period, up 38.4 per cent y-o-y and Max Life Rs 465.69 crore, up 21.5 per cent y-o-y.

Sandeep Batra, ED of ICICI Prudential Life Insurance, said improved product proposition post-regulatory changes that came into effect from January 2014 and a positive macro-economic environment have led to an increase in the contribution towards financial savings and, in turn, towards life insurance.

Budget announcements

Prashant Tripathy, Senior Director and CFO, Max Life Insurance, said he expects the growth trend to continue during the year aided by announcements in the Budget, such as increase in Section 80C limit from Rs 1 lakh to Rs 1.5 lakh, and marginal increase in personal income tax exemption slab from Rs 2 lakh to Rs 2.5 lakh. "These measures will allow more money in the hands of the customer, which is a positive development for long-term savings instruments, including life insurance," said Tripathi.

Source

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Global News

Indonesia: Life insurers see turnover growth of over 10% for H1 - Asia Insurance Review

Life insurance companies in Indonesia reported growth of more than 10% in total revenue for the first half of the year, despite a decrease in premiums due to unfavourable economic and political conditions.

Indonesian Life Insurance Association (AAJI) chairman Hendrisman Rahim said that the economic slowdown and a "wait and see" attitude among investors before the July presidential election had impacted the life insurance sector, reported Jakarta Post.

"However, customers' confidence and their awareness (about the importance) of insurance helped the industry to record a rise of 11.5% in total revenue to IDR76.6 trillion (US$6.52 billion), up from IDR68.72 trillion for the same period last year," he said at a press conference.

During the first half of this year, life insurers booked a combined IDR54.58 trillion in total premiums, down by 2.5% from IDR54.94 trillion recorded for the same period last year.

The decline was caused mainly by a 16.3% decrease in new customer premiums to IDR30.57 trillion for January to June, compared with IDR36.52 trillion for the corresponding period last year. However, total premiums revenue from existing customers rose by 25% to IDR23.01 trillion for the first half of the year from IDR18.42 trillion from January to June last year.

Mr Hendrisman said the decrease in new customer premiums was primarily due to fewer purchases of single premium products, especially those linked to the capital market.

"We still believe that total premium revenue growth can reach 15-16% by the end of the year, as previous trends have shown that life insurance purchases tend to increase in the third and fourth quarters," he said.

On the other hand, he added, investment income reached IDR20.78 trillion in January-June, a 75.8% surge from IDR11.82 trillion for the same period last year. The returns were generated from an investment allocation comprising 30% placements in mutual funds, 29% in stocks, 23.8% in bonds, 14.7% in time deposits and the rest in property and other instruments.

"The high growth in investment return was influenced by positive trends in the capital market after recovering from sharp volatility last year," Mr Hendrisman added.

The growth in total revenue and investment returns contributed to the firm's total assets, which increased by 16.1% to IDR299.2 trillion at 30 June, up from IDR257.83 trillion a year ago.

Life insurers paid out IDR32.80 trillion in total claims and benefits in the first half of the year, down by 1.4% from IDR33.25 trillion in the same period last year.

AAJI's acting executive director, Togar Pasaribu, said the fall in claims and benefits had primarily resulted from a 14.2% decrease in surrendered claims and partial withdrawals in the first half to IDR23.5 trillion.

The association also recorded a 44% decrease in the total number of policyholders to 46.41 million in the first half of this year from 83.46 million in the same period last year, due to a 51.8% drop in group policyholders from 72.84 million in the first half of 2013 to 35.11 million in the same period this year.

"The decrease was caused by low demand for short-term protection products, such as travel and personal-accident insurance. This trend began in the first quarter of this year," AAJI communications head Nini Sumohandoyo said.

He added that there was however a 6.5% increase in the number of life insurance policyholders, from 10.61 million holders in January-June last year to 11.30 million in the same period this year. This showed that public awareness of and confidence in insurance was growing, he said.

Source

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China: Regulator working on cat bonds with insurers - Asia Insurance Review

The Chinese insurance regulator is working with insurance companies to establish a framework to sell catastrophe-linked bonds, according to a recent consultation paper by the China Insurance Regulatory Commission (CIRC) on ways to improve the solvency ratios of insurance companies.

The regulator urged market players to explore securitisation of insurance liabilities through vehicles like catastrophe bonds, in addition to selling preference shares, reported IFR Asia which covers capital markets in the region.

"There are not many insurers in China that can do cat bonds at the moment, but it is a very important step to mitigate the risks related to the sector and to release the capacity for insurers to write more policies," a research analyst told IFR Asia.

Potential issuers, such as PICC Property & Casualty and China Reinsurance Group, which began the groundwork to sell cat bonds years ago, are likely to be among the first to issue such paper, according to market participants.

Source

The National Development and Reform Commission highlighted the potential for cat bonds in a report on climate change last December.

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Capital will not retreat with nat cat: AM Best - www.reactionsnet.com

Overcapacity and lower rates at the 1 January renewals continues to plague London reinsurance market dynamics, with companies forced to deploy capacity elsewhere putting pressure on pricing in other core lines.

According to a new report from AM Best, market capital is "increasingly being supplied by long-term institutional investors, rather than opportunistic hedge funds, and consequently is less likely to retreat following large catastrophe losses."

As a result of this increased competition, the ratings agency said traditional London insurers are seeking to protect their market share by offering terms and conditions that are difficult for third party capital to replicate, including multi-year deals, reinstatements or simply wider coverage.

"AM Best is concerned that a relaxation in terms and conditions will adversely affect results in the London market over the next few years and is closely monitoring how individual companies manage any subsequent increase in exposure," said AM Best analyst, Catherine Thomas.

The trend by brokers to establish smaller panels of insurers, with expertise and experience in particular lines of business, is also having a marked impact on the London subscription market.

"Following markets that have little to contribute beyond a small amount of capacity are falling off the bottom of the underwriting slip. In contrast, those companies that have the expertise to offer tailored solutions and superior analytical services have a competitive advantage," said Thomas.

As brokers consolidate capacity, insurers are looking to leverage their expertise and increase the line size they are able to offer. In order to do this, a number have formed relationships with third party capital providers, said AM Best. Beazley, Catlin and Hiscox now all manage special purpose syndicates, sidecar-like arrangements that allow third party capital to access business written at Lloyd's. In addition, a number of market participants have set up fund managers that specialise in insurance linked securities (ILS).

Source

The ratings agency said that while this allows insurers to offer more capacity and remain competitive while earning a fee income, insurers "are effectively managing instruments that compete with their own products". AM Best said the London market began the year with strong balance sheets and solid performance throughout the first half indicated that capital strength has been maintained.