# Insurance Institute of India

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**Newsletter**

**20th -26th January 2012**




## Insurance Regulation

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| News | Mediclaim should cover day-care: Irda |
| Newspaper | The Economic Times |
| Source | http://economictimes.indiatimes.com/personal-finance/insurance/insurance-news/insurance-claim-for-daycare-companies-asked-to-explore-possibility/articleshow/11619358.cms |

HYDERABAD: Insurance regulator IRDA today said companies should explore the possibility of including daycare treatment in hospitals under health policies.

The Insurance Regulatory and Development Authority (IRDA) also asked the Union Health Ministry to look into issues of lack of scientific standardisation of pricing of various health procedures and lack of comprehensive database in terms of infrastructure and qualities, like hygiene of healthcare centres, across the country.

Commenting on inclusion of daycare under health policies, IRDA Chairman J Hari Narayana said, "The number and scope of daycare procedures have to expand within the context of insurance policies to enable these kinds of procedures to take effect and be incorporated."

Under daycare procedure, a patient who does not need hospitalisation beyond 24 hours, is admitted to a hospital for limited hours. The existing healthcare policies grants claim for patients for treatment for 24 hours or beyond in a hospital.

The regulator said the total spending on healthcare requirements in India is about Rs 3 lakh crore, of which a little less than Rs 1 lakh crore is the actual spending that has to do with hospitals.

On group health insurance policies, he said, "The competition for grabbing group insurance business was bleeding health insurance industry due to non-viable premium rates."

He also pointed out that there is no insurance coverage available now for HIV+ people or for those with mental illnesses. Another area of concern he said is the absence of policies for regular management of chronic illnesses like diabetes.

## Bancassurance

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| News | Banks more profitable than agents for insurers |
| Newspaper | Financial Chronicle |
| Source | http://www.mydigitalfc.com/insurance/banks-more-profitable-agents-insurers-811 |

Banks as corporate agents of life insurance companies are more profitable and generate three times more business compared with individual agents.

Through banks, life insurance companies collected Rs 11,062.63 crore, which accounts for 13.30 per cent of the total new business premium collected by insurance companies during 2010-11.

Life insurers have sold more than 19 lakh insurance policies through the bancassurance channel (banks selling insurance policies). This is, however, only 4.03 per cent of the total number of policies sold by the insurance companies, as per the annual report released by the Insurance Regulatory and Development Authority (Irda).

Individual agents managed to collect Rs 65,665.52 crore, which is 78.95 per cent of total new business premium, by selling 86.44 per cent of the total insurance policies.

“Typically, policies sold by banks are single premium insurance policies that are savings-oriented products. Since banks have a huge client base who maintain a chunk of their savings as bank deposits, these deposits are diverted to insurance plans,” said Gorakhnath Agarwal, chief actuary at Future Generali India Life Insurance.

Single premium policies are those where the insured needs to pay the premium for the first year of the policy and the policy provides him life coverage for the next few years depending on the insurance product chosen. Also, the insured gains certain maturity benefits during the policy tenure or at the end of the tenure.

Other distribution channels, such as corporate agents, have contributed around 6.21 per cent of insurance policy sales and account for around 3.56 per cent of total premium collection. Insurance companies have sold around 2.26 per cent of policies directly, through which they collected 2.42 per cent of the total premium.

“Generally, the average premium collected by a bank is around Rs 52,000, while the average premium collected by an individual agent is Rs 21,000- Rs 24,000,” said A S Narayanan, chief distribution officer at Bajaj Allianz Life Insurance.

As per the present guidelines, banks are allowed to sell one life, one non-life and one health insurance company product through their branches. However, Irda is working on new regulations to relax norms for bancassurance. It recently issued draft guidelines that have proposed zonal tie-ups for bancassurance, allowing insurance companies to tie up with more than one bank for selling its insurance products.

## Global News

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### Asia

| News | Asia: Businesses now more eager for credit insurance |
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| Newspaper | e-daily Asia Insurance Review |
| Source | http://www.asiainsurancereview.com/pages/e-weekly-archive.asp |

Demand for credit insurance has increased sharply in Asia as more companies in the region seek to protect themselves from the impact of a default by trading partners.

According to the global insurance broker, Marsh, demand for credit insurance has jumped by over a fifth during the last quarter, compared with the same period a year previously.

Dow Jones reports Mr Richard Green, Head of Marsh's trade credit and political risk practice in Asia, as having said: "Interest is coming from industries such as consumer electronics, chip and auto-part manufacturers, all of which are core sectors in Asia."

He adds: "Economic worries, particularly in Europe, are causing Asian suppliers to reassess the ability of their customers to pay."

Marsh says that requests for trade credit insurance quotes by Singapore companies were up by 30%, while those from Hong Kong were up 20%.

### Europe

| News | Ministers given five year deadline to fix flood funding |
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| Newspaper | Insurance Times |
| Source | http://www.insurancetimes.co.uk/ministers-given-five-year-deadline-to-fix-flood-funding/1394554.article |

Major decisions are needed within the next five years on flood defence funding in order to prevent the risk of a nearly ten-fold increase in annual losses, the government has been warned.

The UK Climate Change Risk assessment report, published this morning, predicts that annual losses in England and Wales due to flooding could increase from the current average level of around £1.2bn to up to £12bn by the 2080s unless swift action is taken to adapt the county to the consequences of global warming.

The report bases this estimate on the assumption that average winter rainfall volumes could increase by between a3% and 70%, while sea levels around London could rise by between about 20 cm and 70 cm by 2095.

The report says: “Adaptation is needed to reduce the costs and damage of inevitable climate change and to take advantage of opportunities.

"In the field of flood risk management, major decisions on overall levels of funding and on the need for specific schemes will be required before 2020 to ensure that the UK is prepared."

Flood and coastal erosion risk management is one of the areas where there is the greatest need for action within the next five years, according to the CCRA report. And it says the impact will particularly impact on the insurance sector.

"Annual insurance payouts resulting from flooding are also projected to rise significantly in future.

"As flood risk increases, an increasing number of properties may experience an increase in insurance premiums or may even find difficulty in obtaining insurance, resulting in difficulties obtaining mortgages. This has the potential to impact both the insurance industry and mortgage lenders."

The Department of Environment, Food and Rural Affairs is currently locked in discussion with the ABI over future flood insurance arrangements when the statement of principles, under which the industry offers cover as part of standard policies, expires next June.

Speaking at the launch of the report, environment Secretary Caroline Spelman said: "This world class research provides the most comprehensive case yet on why we need to take action to adapt the UK and our economy to the impacts of climate change. It shows what life could be like if we stopped our preparations now, and the consequences such a decision would mean for our economic stability."

## *Middle East*

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| ***News*** | ***GCC insurance premiums to increase 20% by 2015 to $37b*** |
| ***Newspaper*** | ***The Saudi Gazette*** |
| ***Source*** | ***http://www.saudigazette.com.sa/index.cfm?method=home.regcon&contentID=20110823107847*** |

JEDDAH – The GCC insurance industry – which currently "is in a state of transition" – is expected to grow tremendously, with premiums increasing 20 percent by 2015 to $37 billion from $18 billion at present. Saudi Arabia and the UAE will be the two biggest markets in the region garnering 75 percent of the combined share by 2015, while Qatar is poised to register the fastest growth at a CAGR of 30 percent from 2011-15, Dubai-based investment bank Alpen Capital said Monday in its latest GCC Insurance Report.

Saudi insurance sector is poised to reach $9.23 billion by 2015 growing at a CAGR of 18 percent. The UAE insurance sector is expected to grow at a CAGR of 19 percent reaching $18.3 billion by 2015.

"Overall the outlook for the insurance sector in the GCC region is positive. While regional valuations are attractive, low insurance penetration and density reflect the opportunities for companies in the sector to position themselves strategically for periods of high growth", said T.M.Lakshmanan, chief operating officer, Alpen Capital. Increasing GDP remains the primary growth driver for the insurance sector. Life insurance will also gain momentum with rising population and increasing per capita income. In addition, as GCC countries continue to diversify and develop new sectors, this will bring in new projects which will increase the demand for non-life insurance. Another growth driver for the sector is the introduction of compulsory health, third party motor and home insurance which has resulted in significant premium growth in the non-life insurance segment.

The growth and greater penetration of Takaful and other Islamic finance products is also expected to boost the industry's expansion. Alpen Capital said Takaful premiums grew at a rapid CAGR of 45 percent between 2004 and 2009. New distribution models including tie-ups with banks (bancassurance) will also play a role in driving growth in the insurance market. "The industry's growth is also aided by government spending, diversification of the economy and emergence of Shariah-compliant products," said Sameena Ahmad, managing director at Alpen Capital. The GCC insurance industry has not been immune to the financial crisis, though, the report said.