Insurance Institute of India
C – 46, G Block, Bandra-Kurla Complex, Mumbai – 400051
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INSIDE THE ISSUE

Insurance Industry

Insurance mis-selling our problem, too: RBI - Business Standard

The Reserve Bank of India (RBI) said complaints of mis-selling insurance products could impact the continuation of policies, affecting the cash flows of companies. In its Financial Stability Report, RBI said such complaints have been rising in recent years.

In 2012-13, there were 341,012 registered life insurance complaints as compared to 309,613 for 2011-12. According to the Consumer Affairs Annual Booklet of the Insurance Regulatory and Development Authority, the number of non-life insurance complaints dropped in the period. There were 78,927 registered non-life complaints for 2012-13, compared to 93,155 in 2011-12.

Mis-selling broadly means unfair or fraudulent practices in soliciting or selling policies not sought by a customer. Or, where customers feel the policy sold is different from what they wanted or were promised.

RBI said the increasing number of complaints could affect the public's confidence in insurance products, intermediaries and insurance companies. "More important, it seriously affects the demand for insurance, which could have serious implications on insurance as an avenue of tapping savings for long-term investments for the economy," it said.

The central bank said Irda had taken regulatory measures to check this. The Irda (Protection of Policyholders Interests') Regulation, 2002, provides a framework for protection, through requirements to be met at the point of sale, proposal, sale and servicing of products, emphasising on complete disclosures. There is an option of 'free look cancellation' within 15 days of receiving a policy document. Further, misleading publications for soliciting or selling of policies are prohibited under the Irda (Insurance Advertisements and Disclosure Regulations), 2000. Regulations for licensing of insurance intermediaries such as agents and brokers, and a prescribed code of conduct for their operations, are aimed at ensuring that intermediaries do not resort to unfair practices. "Irda has the power to take action against insurers and intermediaries which include imposition of fine, issuance of warning, suspension and cancellation of licence. Irda has been increasingly using these powers to check mis-selling," said RBI.

According to Irda data, among life insurance complaints, complaints on unfair business practices accounted for 168,482 of the total number mentioned earlier.

Source

In the non-life segment, policy-related complaints topped the list, accounting for 29,101. The motor insurance segment, followed by health, accounted for the largest number of complaints in the non-life sector.

Back

Demat insurance policies will improve financial system's functioning, says RBI - Business Standard

Demat insurance policies, or insurance policies in electronic format, will improve information flow in the financial system, according to the Reserve Bank of India (RBI). "The initiatives by regulators towards installing centralised databases for large common credit exposures of banks, corporate debentures and insurance policy records are expected to improve the information flow and functioning of the financial system," RBI said in its Financial Stability Report.

Earlier this year, the Insurance Regulatory and Development Authority (Irda) had brought out regulations on having insurance in electronic format through insurance repositories.

Irda approved five companies — Database Management Limited, Central Insurance Repository Limited, SHCIL Projects Limited, CAMS Repository Services Limited and Karvy Insurance Limited — as insurance repositories.

The objective of creating insurance repositories is to provide policyholders the facility to keep insurance policies in electronic form, which is easy to handle and the cost of issuance and maintenance of insurance policies is lower. It is also possible to make changes, if required, fast and with accuracy. Policyholders have the option of choosing to either digitise their policy or to have it in the existing format.

RBI in its Financial Stability Report said that even with the use of technology, visiting multiples offices of insurance companies or logging requests/making premium payments through multiple portals of the insurance companies have been posing difficulties to the policyholders.

It added this initiative would enable electronic issuance of insurance policies and it is also possible to convert previously held insurance policies into electronic form through an electronic insurance account (eIA), which is provided free of cost.

Source

RBI said the initiative of insurance repositories, which has been launched on a pilot basis for life insurance, will soon extend to other lines of business including annuities, group and general insurance policies. "Owing to the scale, the insurance repositories promise to bring down the cost of policy servicing, thus enabling the Insurance companies to achieve efficiencies that possibly reduce the premiums and the turnaround times in delivering services," said the central bank.

Back

Insurance density, penetration show decline - Business Standard

Insurance penetration in India has fallen for the second time after the sector was opened for private players. The Insurance Regulatory and Development Authority (Irda), in its annual report for 2012-13, said insurance penetration stood at 3.96 per cent, while insurance density stood at $53.2 for 2012.

The measure of insurance penetration and density reflects the level of development of the sector. While insurance penetration is measured as the percentage of insurance premium (in $) to GDP (in $), insurance density is calculated as the ratio of premium (in $) to total population.

Insurance penetration stood at 3.96 per cent of gross domestic product in 2012, down from 4.10 per cent in 2011. Similarly, insurance density fell $53.2 in 2012 compared to $59 in 2011.

"This indicates that in the past three years, the growth in insurance premium is lower than the growth in national GDP," said Irda.

On the life insurance side, the density fell 3.17 per cent in 2012 from 3.40 per cent in 2011. Life insurance density also fell to $42.7 in 2012 from $49 in 2011.

Source

Non-life segment, however, has seen a marginal increase in penetration and density. Insurance density rose to $10.5 in 2012 from $10 in 2011. Non-life insurance penetration, though was still under one per cent, rose from 0.70 in 2011 to 0.78 in 2012.

Back

Insurers smile as firms out to cover top brass' liability - Financial Chronicle

The insurance industry is expecting good demand for directors and officers (D&O) liability insurance policies among Indian companies, as the Companies Act of 2013 has introduced, among other things, class action suits and increased the regulatory pressure on company boards and their key managers. Rules under the new Act, which got presidential approval on August 31, are yet to framed.

The Act now makes shadow directors, chief executive officers and chief financial officers liable for any default with respect to any of its provisions. The earlier law held only managing directors and whole-time directors liable. The new law has introduced a separate code of conduct for independent directors. The old law only specified the duties of independent directors in listed companies under clause 49 of the listing agreement. The new law defines not only the duties of key managerial persons but also specified penalties for breach of the law. In view of the high-profile cases in the past, the Act defines terms like fraud. Sanjay Datta, chief of underwriting and claims at ICICI Lombard General Insurance, told Financial Chronicle, “With increased exposures for directors and officers, we believe that more companies, including unlisted companies, will think it prudent to buy D&O policies. Those who have already bought such policies may go in for higher policy limits.”

The new Act provides for the constitution of new regulatory bodies like the National Companies Law Tribunal and the National Financial Reporting Authority, according to him. “The serious fraud investigation office, investigating cases against several companies, has been given legal status under the new Act. This will increase the regulatory pressure on the board and the key managers. This is one major area where the D&O policy can protect them against allegations of wrong-doing,” Datta said.

K K Mishra, CEO of Tata-AIG General Insurance, agreed: “The need for D&O cover will be felt by all good companies.” A senior official of a public sector general insurer said, “We do expect more companies to buy D&O covers because of the stricter laws. Besides, recent incidents of top officials of some companies facing fraud and sexual harassment charges will make companies look at D&O policies.”

Sandeep Parekh, founder of Finsec Law Advisors, said, “The Act imposes a higher burden on directors if an IPO prospectus has wrong statements or information. With tougher checks on company boards and the increased role of shareholders, the risk for directors and officers has increased. This would increase the demand for D&O cover, he said.

A D&O policy provides cover against personal liability arising from wrongful acts of managers. Defence costs are covered and are payable in advance of final judgment. It also provides protection against claims on directors, officers and employees for actual or alleged breach of duty, neglect, wrong statements or errors.

Some of the specific exposures that make D&O insurance necessary are vulnerability to shareholder/stakeholder claims, sexual harassment, discrimination allegations and other employment practice violations, regulatory investigations, accounting irregularities, exposures relating to mergers and acquisitions, corporate governance requirements and compliance with various legal statutes. Such a policy also offers an add-on cover against civil fines and penalties. The cover, however, is not available against criminal acts and consequent fines and penalties.

According to experts, one of the most important changes brought is the increased power given to shareholders. Their approval will be required for major transactions. The act brings in the concept of class action suits and defines the minimum parameters of a class. Such action can be brought against both a company and its auditors. With secretarial audits made mandatory and other audit provisions tightened, higher levels of scrutiny are ensured.

Only 98 sections of the Act have been notified. According to circular No 16/2013, the sections of the 1956 Act, which correspond to these 98 sections, will cease to have effect. But what these corresponding sections constitute has been left open to interpretation. This is an especially tricky area for long-drawn processes such as restructurings. Though it has been specified that the National Companies Law Tribunal will take over the restructuring cases from the high courts once it becomes operational, it is not mentioned if this restructuring will take place as per the provisions of the new law or the old law. “There are also certain definitions different from those used in accounting standards. This creates a grey area, which could put directors and officers of a company at risk with respect to compliance,” added Datta.

Source

Back

New insurance guidelines - Business Standard

Product guidelines for linked and non-linked life insurance products that have been revised by the Insurance Regulatory and Development Authority will be implemented from Wednesday. Here is an overview of the changes that will kick-in from January 1, 2014:

NEW TRADITIONAL PRODUCTS WILL HAVE A HIGHER DEATH COVER For regular premium policies, the cover will be 10 times the annualised premium paid for those below 45 years and seven times for others. The minimum death benefit in case of a traditional plan is at least the amount of the sum assured and the additional benefits

IN THE CASE OF UNIT-LINKED PRODUCTS (ULIPS), insurers will have to intimate customers about changes in the yield of the Ulip every month. Variable insurance plans will guarantee a certain minimum rate of return at the beginning of the policy, though they are linked to an index.

THESE VARIABLE INSURANCE PRODUCTS will be treated on a par with Ulips, those products will follow the same commission package for Ulips.

AGENTS WHO TEND TO SELL SHORTER TENURE PRODUCTS will now have to shift their sales strategy to longer tenure products, since commissions have now been linked to tenure of a policy. Higher the duration, higher is the commission. Hence, your agent will push for a product with tenure of 20 years and more.

THERE WILL BE A CHANGE IN SURRENDER VALUE FOR POLICY holders. This is the cash component that a policyholder gets when he/she surrenders a policy. The surrender value will depend on the premium paying term of the policy. If the premium paying term for policy is less than 10 yrs, then the policy will acquire the surrender value after paying premium for 2 years (Compared to three years). If tenure is more than 10 years, the surrender value will be acquired only after paying premium for three years.

THE MINIMUM SURRENDER VALUE NOW IS 30% OF ALL THE PREMIUMS paid without excluding the first year premium. Earlier, first year premium was excluded. Between the fourth and seventh year, the surrender value will be 50% of all premiums paid.

ALL ASSET-VALUE RELATED CALCULATIONS & DETAILS OF THE RETURNS, in case of linked products, will now be clearly put on the policy form. While some of it could be illustrative in nature, the product will be more transparent since the customer will have a clear idea of the product and its returns.

Source

Back

IRDA Regulation

Insurance penetration rises to 4%: IRDA chief - The Hindu

With the insurance products designed as per old norms going off the shelf by December 31, there would not be dearth of new products from New Year as the insurance regulator had approved 450-500 of them, Insurance Regulatory and Development Authority (IRDA) Chairman T. S. Vijayan said here on Friday.

However, each insurance company would be offering 10-15 products from among those approved by the IRDA. Some of the approved would be kept on the shelf and offered later.

Talking to reporters after participating in an interactive session organised by the Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI) here, he said banks should become brokers and not agents of the company, and the regulator was pushing for that. He said the Ministry of Health and Family Welfare was working on standardising the protocols for treatment as well as the cost with regard to medical insurance.

He said the proposal to introduce select life and non-life products through common service centres such as e-seva services would be implemented under a pilot project in some districts by the insurance companies in about six months.

Mr. Vijayan said the insurance penetration in the country had grown from 2.72 per cent in 2000 (when the sector was opened for private participation) to nearly 4 per cent this year.

Describing it as a great achievement, he said what was commendable was that public sector companies had been holding on their own.

Referring to the repository system, he said, the IRDA would like to gradually make it mandatory as it would bring down the cost of policy servicing.

He said health insurance, pension market, insurance for assets and motor insurance were the growing areas.

Source

Irda plans pilot to roll out small policies through e-Seva - Business Standard

The Insurance Regulatory and Development Authority (Irda) will soon launch a pilot project involving all the insurance companies to sell small premium insurance products essentially targeting rural and small income household needs. These would be sold through e-Seva in Andhra Pradesh and similar customer service centres elsewhere in the country.

Irda chairman TS Vijayan on Friday said the pilot project would be rolled out in the next three months and was expected to get stabilised in six months. The idea is to sell the products that are simple in nature on technology platforms like e-Seva as small premium products are not usually pushed by the agent-led selling system.

"We have 100,000 costumer service centres in the country. These centres will be used for selling the policies that offer insurance cover for houses, cattle, tractors, fire accidents, even health, for the small income people in rural and urban areas," Vijayan said.

This would be the next major initiative after the regulator made it mandatory for insurance companies to sell a certain percentage of policies in rural areas in the past. According to him, rural areas account for 23-24 per cent of all the policies sold in the country. Vijayan said health insurance was growing much more rapidly and the next in line could be the policies that cover assets, houses, fire, burglaries and such products.

Insurance penetration would go up to 6 per cent from the present 3.83 per cent in the next couple of years. "The US-way of calculating the insurance penetration (percentage of total insurance premium to the GDP) may not be that much relevant to Indian context because not every one like a retired person or a housewife requires a policy cover," he added.

In the non-life sector, the insurance penetration was not showing any growth even though premium collection by the sector grew 2-3 times in recent years. The Indian insurance sector controls Rs 20 lakh crore fund, which is much more than what the mutual funds manage today, he said. On the frequent change in third party administrators (TPAs) by public sector non-life insurance companies, he said they were going to form their own TPA in a year's time.

Source

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Irda to charge tax for service to players - The Financial Express

The Insurance and Regulatory Development Authority (Irda) will charge service tax from industry players on providing services such as registration and renewal. The regulator is required to collect service tax from its insurance companies, brokers and agents, said an Irda notification.

TPAs, insurance repositories, web aggregators, referral entities and surveyors too will have to pay tax for availing services like grant of registration, licences, renewals and so on, the Irda said.Service receivers are required to add service tax component, as applicable, to the fee while making remittances to the authority from January 1, it added.

The proposals were approved by Irda at its meeting held on Tuesday. However, it did not disclose the rate of service tax applicable to individual categories. At present, the rate of Service Tax is 12%.

Source

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Life Insurance

Life insurers line up 500 schemes for launch in 2014 - The Financial Express

As many as 500 new insurance schemes are all set to hit the market in the next couple of months, following the approval of industry regulator IRDA as part of its new guidelines applicable from January 1, 2014.

The regulator has cleared over 500 products in line with the new design norms which are being introduced by the domestic life insurers, an IRDA official said adding that most insurers have already redesigned their products and also obtained approvals.

Insurance Regulatory and Development Authority (IRDA) had issued new guidelines to make policies more customer-friendly. The new guidelines have introduced three broad categories of products - traditional insurance plans, variable insurance plans (VIPs) and unit-linked insurance plans (ULIPs).

Insurance behemoth LIC has already decided to stop selling as many as 48 insurance plans, including Jeevan Anand, Jeevan Madhur and Jeevan Saral, to comply with new regulatory guidelines, and planned to unveil a slew of new insurance schemes.

Private sector insurer Reliance Life Insurance has lined up over two dozen new insurance schemes, which include protection and retirement, for their launch in the next three months.

"We will begin selling 13-14 of our key products, which are compliant with the new product guidelines from January 1, 2014," Reliance Life Insurance CEO Anup Rau said, adding traditional plans will contribute 80 per cent while the ULIPs will contribute around 20 per cent to the top-line in the new product environment.

Aviva Life Insurance has already launched 13 products that are compliant with the new traditional product guidelines. Another player Max Life Insurance has plans to launch four new products by the first week of January in line with the revised IRDA guidelines. The company has already launched 13 products.

"Of the 17 products for which we have clearance, 13 have already been re-launched. Another four will be introduced next month," said V Viswanand, Director and Head ¿ Product Solutions Management, Max Life Insurance. Bajaj Allianz Life Insurance has received approvals for its individual and group insurance plans under the new product guidelines and planned to launch three new insurance schemes.

"We are launching three new insurance plans which will cover the needs of individuals at their different life-stages and will be launching a suite of online and channel specific insurance plans by next month," Bajaj Allianz Life Insurance Managing Director and CEO Anuj Agarwal. HDFC Life will make available 21 products to consumers from 1st January 2014 which will be compliant with new regulations issued by IRDA. Others including ICICI Prudential, Birla Sun Life, Tata AIA and SBI Life are also planning to launch their product suit next month.

Source

Back

Life insurance agents are back in demand - The Hindu Business Line

After almost three years, job opportunities for agents in the life insurance industry are increasing again.

“There has been a noticeable increase in agent hiring in the industry,” T. S. Vijayan, Chairman, Insurance Regulatory and Development Authority (IRDA), told Business Line here.

The increase in recruitment is driven by the growth being witnessed in the life insurance business after a continuous slide since September 2010 when the new regulatory regime for unit-linked insurance plans hit the industry hard resulting in a massive downsizing, especially by the private insurers.

As per Life Insurance Council data, there were 21.25 lakh agents in 2012-13 compared to 23.45 lakh in the previous year.

The peak was 29 lakh in 2010 after which their number steadily declined. Now that the hiring has begun again, it remains to be seen how long it takes to reach that level.

According to the insurance regulator, the life insurance segment should be growing by about 10 per cent in the current financial year.

Aping LIC

This apart, there is a greater realisation that an agent-led distribution model was ideal for traditional life insurance products, which have a bigger share in the market now. Some private insurers are now trying to repeat what Life Insurance Corporation had done, that is, capture the rural market through agents.

“The recruitment of agents has gone up in general and termination of existing agents has been arrested,” A. K. Sahoo, Executive Director, Life Insurance Corporation, said. “We have demonstrated the success story with agents and naturally others are looking at it,” he added.

LIC recruits about two lakh agents every year.

According to Anup Rau, Chief Executive Officer, Reliance Life Insurance, his company firmly believes in an agent-led growth model and never stopped hiring them even when the industry was down.

There are other factors that have come timely. "The agent recruitment exam norms were relaxed by the Insurance Regulatory and Development Authority recently and that has given greater scope for companies in recruitment," said Alok Roongta, Chief Financial Officer, Bharti AXA Life Insurance.

"We are now recruiting 800-900 agents every month," he added.

An active life insurance agent generally earns a minimum of Rs 15,000-20,000 a month.

Source

The commission would be paid through the tenure of the policy after a regular payment of premium for five years.

Back

General Insurance

Gen insurance growth slows down to 13% during Apr-Nov – Financial Chronicle

The country's worst slowdown in over a decade is continuing to slow the pace of growth of the non-life insurance sector. According to the latest data released by the insurance regulator, the growth of the general insurance sector has further slowed down to 13 per cent during April-November, with a gross premium of Rs 50,307.56 crore. The general insurance industry had grown by 19.38 per cent to Rs 44,451.32 crore during April-November 2012. The general insurance industry had grown by 14.24 per cent for the six months ended September, with a gross premium underwritten at Rs 38,718.18 crore, compared with Rs 33,890.49 crore in the same period of last year.

Sanjay Dutta, retail head, ICICI Lombard General Insurance, said, "The general insurance premium growth is strongly linked to economic growth. Motor sales have been declining, not many new infrastructure projects have got sanctioned, growth in government health insurance schemes have remained flat. All these reasons have led to a slowdown."

"But growth will pick up in the last quarter as people buy insurance to save on taxes. This year, the non-life insurance sector will close with a growth of 14-15 per cent. The 19-20 per cent growth in general insurance witnessed last year was when the economy was growing 7-8 per cent."

Of all the general insurers, Royal Sundaram General Insurance was the only insurer that reported a negative growth of 3.85 per cent for November. The four public sector general insurers grew by 10 per cent to Rs 28,174.85 crore during April-November, while the private insurers grew by 17.54 per cent during the period to Rs 22,132.70 crore.

According to the data released by the Society of Indian Automobile Manufacturers (Siam), car sales declined for the second month in succession with an 8.15 per cent drop in November. Domestic passenger car sales, stood at 142,849 units, compared with 155,535 units in the same month of last year. Motorcycle sales during last month grew by 1.44 per cent to 880,015 units from 867,508 units in the same period of the previous year. Total sale of vehicles across categories registered a growth of 0.90 per cent to 1,526,438 units in November, against 1,512,869 units in the same month of 2012. Motor insurance is the largest business segment with a share of around 46 per cent in the gross premium followed by health insurance that has a share of around 26 per cent in the gross premium.

Motor insurance premium grew to Rs 16,051 crore, compared with Rs 13,609.07 crore during April-September 2013, a growth of around 18 per cent. Of this, motor own damage grew by 13.28 per cent to Rs 8,785.77 crore during April-September this year, compared with Rs 7,755.56 during April-September 2012. An average increase of 20 per cent in the motor third party premium rates helped motor third-party business grow by 24 per cent to Rs 7,265.84 crore, compared to Rs 5,853.51 crore. The aviation insurance premium saw a negative growth of 6.57 per cent with a gross premium of Rs 237.05 crore for the six months ended September 30 this year, compared with a premium of Rs 253.73 crore in the same period of last year.

Source

Insurance company officials said that fewer airlines are acquiring new aircrafts, the growth in general aviation remains flat, while the reinsurance rates in the international market has softened which has hit the aviation insurance business of non-life insurance companies. Grounding of Kingfisher Airlines also contributed to drying up of aviation insurance business.

Public sector insurers stage coup in mediclaim business - The Financial Express

The four public sector general insurance companies have made a killing in the new year garnering a massive swing in group medical cover business away from the private sector companies. These companies have managed to rope in most of the big-ticket corporate clients for their group mediclaim insurance to move premiums worth close to Rs 1,000 crore. The large scale shift has caught the attention of the sector regulator too. The numbers are sizable enough to change the rankings in the insurance business by premium income generated.

For instance, over 2013 ICICI Lombard had been reducing the distance between itself and Oriental Insurance, the smallest of the four public sector insurance companies. This will now revert back to the normal pecking order. In the general insurance business renewal of premiums happen towards the end of the calendar year. This year, sources close to the development told The Indian Express that the public sector insurers had gone aggressive and offered very low rates to get the business, notably from staff heavy information technology companies.

“They have been trying to corner group health insurance schemes and have been on a lookout for big premiums,” said the CEO of a leading private sector general insurance company. He told that big corporate clients such as Accenture, SAIL and Wipro have moved the group medical cover for their employees from private sector player to the public sector player on account of this aggressive pricing. Sources told that the premium size of Accenture amounted to close to Rs 40 crore while that of SAIL amounted to Rs 75 crore.

Sail recently moved its group insurance cover from Bajaj Allianz General Insurance to National Insurance company. The move by the state owned insurers is meant to cover the losses they have suffered on motor insurance premium especially third party which they have to pick up as no one else does so. The losses from the business has forced the sector regulator to hike the pooled risk cover for the business by making private sector companies too chip in.

The other inducements offered by these public sector companies in the mediclaim business has been to offer a far larger scale for coverage of diseases. In group mediclaim insurance business Insurance Regulatory Development Authority gives more freedom to the insurer and the insured companies to negotiate the extent of the cover. New India Assurance, National Insurance Company, Oriental Insurance and United India have expanded the scope of their coverage. While they have complied with the file and use system allowed by the regulator i.e, they have informed Irda but did not need to wait for the approvals, the extent of additional coverage is likely to be examined in detail, now. These could create regulatory hazards, said an Irda source.

“Public sector players have gone aggressive with pricing of the product. The public sector players are more focussed about growing the topline and since their premiums are lower than ours, companies looking to reduce their premium expense have moved towards them,” said the head of another leading private sector general insurance company. He added that private sector players have limitation on such aggressive tactics as they are answerable to their shareholders and such moves have an impact on the profitability.

Running for cover

The companies have managed to rope in most of the big ticket corporate clients for their group mediclaim insurance to move premiums worth close to Rs 1,000 crore.

Accenture, SAIL and Wipro have moved the group medical cover for their employees from private sector player to the public sector player on account of this aggressive pricing.

The move by the state owned insurers is meant to cover the losses they have suffered on motor insurance premium especially third party which they have to pick up as no one else does so.

The losses from the business has forced the sector regulator to hike the pooled risk cover for the business by making private sector companies too chip in.

Source

The other inducements offered by these public sector companies in the mediclaim business has been to offer a far larger scale for coverage of diseases.

Bancassurance

Private banks too may be allowed to sell policies of multiple insurers - The Hindu Business Line

In the new bancassurance policy, private sector banks are likely to be brought on par with their public sector counterparts. The policy aims to allow banks to sell insurance policies of various companies as against the existing arrangement which permits them to sell policies of only one company.

Finance Ministry officials said discussions were on with banking and insurance regulators, Reserve Bank of India (RBI) and Insurance Regulatory and Development Authority (IRDA), before finalising the guidelines.

According to a senior IRDA official, the dialogue is on at an “appropriate” level to further widen the scope of the bancassurance channel by roping in private banks. “The final guidelines to be framed are likely to have a mandate for private banks too as far insurance penetration is concerned,” he said, adding that the final guidelines are expected from RBI before January 15.

Feedback deadline

The deadline for feedback on the draft guidelines for banks on bancassurance, issued by the RBI, ended on Tuesday. The insurance regulator was keen on fully leveraging the existing strengths of banks in terms penetration and customer reach for expanding insurance and offering the “best choice” to customers, he added.

Finance Minister P. Chidambaram in his 2013-14 Budget speech had said that banks would be permitted to act as insurance brokers so that their network of branches could be utilised to increase penetration. Accordingly, the new guidelines are being finalised, which will allow banks as brokers to cap business from their own group companies at 25 per cent for life insurance and a similar cap for non-life insurance business. At the same time, the cap on selling policies of one company will be 50 per cent of the total insurance sales of a bank.

Will curb mis-selling

Last month, Financial Services Secretary Rajiv Takru had said: “We will ensure that all insurance products are available through the one-lakh-plus bank branches. No renewals will be granted to existing corporate agency tie-ups of public sector banks and insurance companies.” He also hoped that chances of mis-selling would be less if banks become brokers.

Since most of the banks have promoted insurance companies, they are not very comfortable with the proposed scheme. However, there is feeling that with low insurance penetration, such a move will help banks expand their business, while providing more options to customers.

Source

There are over one-lakh bank branches in the country today, with only about 15,000 engaged in selling insurance as corporate agents. Bancassurance accounted for 40 per cent of total premium collected by private insurers in 2012-13.

Back

Bancassurance norms and products to give insurance industry a new direction - www.samachar.com

After two sluggish years, the insurance industry is hoping that 2014 holds out better prospects amid expectations of stronger economic growth in the second half of the current fiscal. New product guidelines and bancassurance norms will also shape how the life insurance industry fares in 2014.

Life insurers will begin the year by launching 500 products aligned to comprehensive new norms aimed at making policies more customer-friendly. For instance, there will be a guaranteed surrender value after five years. There are new rules on the minimum death benefit as well.

Source

This means companies are investing heavily in retraining agents to sell policies under the new framework in a market that's reorienting itself away from savings. The changes are also taking place in a year that will see a national election. "Macroeconomic factors will shape the growth of life insurance industry if there is a new government and new initiatives are taken which will have a rub-off effect on the financial services sector," said P Nandagopal, MD and CEO of IndiaFirst Life Insurance.

Survey & Reports

Health claims rising among youngsters in NCR: Survey - Business Standard

Frequency of health claims is on the rise among the younger age-groups -- six-18 years and 19-25 years, reveals a survey conducted over the last three years by an insurance company.

According to the survey, fever and common infections saw high incidence rates in the national capital region (NCR), rising from 19.5 percent in 2011-2012 to 26.3 percent in 2013-2014 (April-September).

Except Noida, where the trend shows a decline in claims among younger age-groups, areas like Delhi, Faridabad and Gurgaon have recorded a steady rise in health-related ailments.

The private sector ICICI Lombard General Insurance Company derived the findings from the analysis of its own claims data for the NCR region.

"We believe that it is imperative for us to identify health-related trends given the large repository of health-related claims data available to us," said Sanjay Datta, chief, underwriting and claims, ICICI Lombard General Insurance.

"Our analysis for the NCR region highlights the rising incidence of ailments in the younger age-group, as this segment faces the maximum pressure to compete in the fast changing and competitive landscape of today," he said.

The survey further states that in terms of gender, more males registered claims pertaining to treatments in Delhi (48.7 percent in 2011-12 to 49.5 percent in 2013-14, April-September), Gurgaon (51.2 percent to 53.4 percent) and Ghaziabad (50.1 percent to 51.2 percent).

Incidences of kidney failure in Delhi increased from 4.9 percent to 11.4 percent, while cases of stones in the urinary system increased from 5.8 percent to 6.6 percent.

However, ailments like cataract, and heart stroke witnessed a decline in claims by 2-4 percent as compared to 2011-12 across all the five cities.

"In case of heart stroke, Delhi witnessed a decline in cases from eight percent to six percent between 2011-12 and 2013-14 (April-September)," the survey states.

Source

"Gurgaon saw a reduction in heart stroke claims from 6.3 percent to 4.6 percent, while Faridabad witnessed a decline from 5.1 percent to 4.3 percent," it further stated.