



Insurance Institute of India

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INSUNEWS

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Insurance Industry

Banks may not rush to become insurance brokers - The Hindu Business Line

While the Insurance Regulatory and Development Authority (IRDA) has released the guidelines for banks to sell products of multiple insurance companies, most of them are unlikely to rush to seek broking licence.

According to a senior IRDA official, the Reserve Bank of India is not keen on banks becoming brokers as many of them have promoted insurance companies and this could lead to a conflict of interest.

Also, as brokers, banks will have a fiduciary responsibility to customers and can be made accountable for mis-selling.

Many big lenders such as ICICI Bank, HDFC Bank, SBI, IDBI Bank, Bank of Baroda, Canara Bank, Bank of India, and Punjab National Bank have promoted insurance companies.

The IRDA clause that not more than 25 per cent of insurance business (separately for life and general insurance) handled by a bank (as a broker) can be placed with the insurance company floated by it may act as a deterrent to becoming brokers.

TRAINING NEEDED

Rajesh Sud, Managing Director and Chief Executive Officer of Max Life Insurance, said if banks become brokers then they will have to invest time and money in training their personnel in selling policies of multiple insurance companies.

In the broker regulations released recently by the IRDA, banks can opt to become insurance brokers with prior approval of Reserve Bank of India. Each bank will have to employ an official at the general manager or equivalent level as a principal officer to carry out the functions of an insurance broker.

"While the broker guidelines are good as they do not disrupt the existing arrangement, it may take at least a year for banks to really start selling policies of multiple insurance companies," said Sandeep Bakshi, Managing Director and Chief Executive Officer, ICICI Prudential.

Source

Insurance companies to offer only standard insurance products via bank route - The Economic Times

Insurance companies may be able to offer only standard insurance products through the banking channel, a compromise worked out by the finance ministry to accommodate the concerns of the banking regulator on allowing banks to become insurance brokers.

Finance minister P Chidambaram in his budget speech this year had said that banks will be permitted to act as insurance brokers so that their greater reach can be leveraged to increase insurance penetration in the country that is as low as 4.4% of GDP in case of life insurance.

The Insurance Regulatory and Development Authority had earlier this month notified rules allowing banks to act as brokers of insurance companies, a process termed as bancassurance.

Under the current rules, banks can sell insurance products as agents of insurance companies and one bank can sell product of only one company under this agent-agency model. "While banks are well suited to distribute insurance products because of their wide network, several issues have arisen regarding their conduct in the process, generally pertaining to mis-selling and certain restrictive/ unfair practices (such as linking provision

of locker facilities to purchase of insurance products, selling of unsuitable and/or multiple policies etc.)," the RBI had said in Financial Stability Report released in June.

The Financial Stability & Development Council (FSDC), an inter-regulatory coordination body, had deliberated also the issue of banks selling insurance products for more than one insurance company under the bancassurance model on August 7, a day before the guidelines were announced by IRDA.

The RBI is believed to have raised concerns again at the FSDC. The finance ministry feels a standardized product from all insurers should take care of RBI's concerns, and allow insurers to ride on bank networks to increase insurance penetration.

"The aim of allowing banks to act as brokers was to increase the insurance penetration. Same features product will not only prevent mis-selling but also ensure that customers can choose a product based on the performance and efficiency of the insurer," a finance ministry official told ET. The insurance regulator will ensure that all products sold through banks will be standardised in terms of features and commission structure, the official said.

At present, insurance business through Bancassurance is only about 7.5% of the total insurance premiums and only about 15,000 of the existing 100,000 bank branches are engaged in selling insurance policies.

"Standardised products will ensure that banks do not push a particular company's product as almost all products will be similar except for their brand name. Moreover, if a company wants to sell a complicated product it will have to take prior permission from IRDA," the finance ministry official said.

The RBI had further called for an urgent need to revisit the marketing and sales strategies used by the banks in pushing insurance products, especially since insurance is among the more complex of financial products. It also felt there could be a conflict of interest if bank acting as an insurance broker was also promoter of an insurance company.

A senior IRDA official told ET that the insurance regulator has already put a cap on the brokerage that can be paid and not more than 50% of the premium will emanate from any single client. "As far as standard products are concerned we are working towards that and are in talks with the ministry and RBI for smooth implementation of allowing banks to act as brokers," he said.

Source

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Glimmer for UPA: JD(U) says will back insurance Bill - The Financial Express

While the Pension Bill looks set to get Parliamentary approval this session with BJP, the principal opposition, agreeing to it, prospects of another key legislation, the Insurance Bill, looked bright today with the Janata Dal (United) declaring its support for it.

"The Janata Dal (United) will support the Pension and Insurance bills in Parliament," party secretary-general, spokesperson and Rajya Sabha member K C Tyagi told The Indian Express today. Explaining the party's position, he said that the Pension and Insurance bills had been formulated during the NDA regime. "How can we go back on them now?" he asked. The JD(U) has 20 MPs in the Lok Sabha.

JD(U) MP N K Singh said, "We believe that it is in the country's overall interest to get long-term capital flows. All measures, which will help to tide over the current account deficit, are welcome." He added that the government is yet to take up the Insurance Bill and has not come to his party with the exact formulation: 49 per cent FDI or a mix of FDI and FII or increasing the FDI ceiling while keeping the voting cap intact. The BJP wants a cap of 26% on FDI and 23% on FII.

Leaders of the Opposition in the Lok Sabha and the Rajya Sabha Sushma Swaraj and Arun Jaitley respectively and Yashwant Sinha, the opposition party had agreed to support the Pension Bill but refused to back the Insurance Bill.

The opposition, it was learnt, was divided on the issue of the party's stance on the Insurance Bill with a section of senior leaders supporting it on the plea that the BJP's economic philosophy is different from the Left's. At a time when Narendra Modi is showcasing his "Gujarat development model" in the run-up to next year's general elections, the opposition party could ill-afford to be seen as stalling economic reforms just for the sake of opposing the UPA, argue BJP leaders who are not in agreement with the party leadership's stand on this issue.

[Source](#)

With JD(U) also supporting the Insurance Bill, the government has the numbers in Parliament to push the Insurance Bill through — as in case of FDI in retail sector — but it is learnt to be weighing its options. Asked if the government would try to get the Insurance Bill passed in the current session, Parliamentary Affairs Minister Kamal Nath told The Indian Express, “We are going to bring the Pension Bill for passage. We have not taken any decision on the Insurance Bill yet.”

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IRDA Regulation

Insurance repositories to begin operations soon - Business Standard

The Insurance Regulatory and Development Authority (Irda) is preparing to launch insurance repositories within the next few weeks. Sources said five entities—National Securities Depository, Central Securities Depository, Stock Holding India, CAMS and Karvy—had been given licences to become insurance repositories. Recently, Irda had said insurers could enter into agreements with one or more repositories.

An insurance repository would provide a facility to store insurance policies in electronic form and to undertake changes or revisions to these quickly. According to Irda norms, policyholders can opt to digitise their policy or continue with the existing format.

Irda officials said this would help insurance companies reduce the expenditure on storing physical insurance documents. Life Insurance Corporation (LIC) spends Rs 600 on storing each policy. A senior Irda official said if these policies were digitised, LIC would be able to save crores of rupees every year.

Experts said a complete shift to the new mechanism would take time.

Irda is also exploring whether a 'demat-account'-like structure can be implemented for insurance policies, through which digital policies would be mandatory.

According to Irda rules, to become an insurance repository, an applicant should be a public limited company, with a minimum share capital of Rs 5 lakh. The net worth of the applicant, on grant of an in-principle approval by Irda, should be at least Rs 25 crore before a certificate of registration is issued to it.

The repositories would have to maintain records of e-insurance accounts, e-insurance policies issued, e-insurance policies reconverted into physical form, etc. Each repository would have to preserve records for at least 10 years from the date of termination or assignment of insurance.

All individual life insurance policies, including those issued to groups, and all general insurance policies held by individuals, including group policies, can be held in electronic form. Insurers are upgrading technology to adapt to the new mechanism.

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Irda to come out with norms for CSC-insurers' tie-up - Business Standard

Common Service Centres (CSCs) across India will soon be aiding the insurance companies in India in selling their products. In a meeting held today between officials of Insurance Regulatory and Development Authority (Irda) and insurance industry, the structure and process of implementation of CSCs model in insurance was discussed. In the next few days, Irda will bring out detailed guidelines for insurers to tie-up with the CSCs. Industry officials who attended the meeting said that Irda officials including chairman TS Vijayan and Member (Distribution) DD Singh presented their views on the advantages of this model. Presentations were made on the workability of the model and the manner in which it will be brought into operation. These presentations were made in the presence of chief executives of life and general insurance companies and representatives of the life and general insurance council.

Sources indicated that Irda will bring out a notification on the same in the next 15 to 20 days. After taking the views and comments of insurers on this notification, the new model of CSCs is expected to come into operation within the next one to two months. These CSCs would be similar to brokers, and would be able to sell products of multiple insurance companies.

The CSC is a strategic cornerstone of the National e-Governance Plan (NeGP). The CSCs are aimed to provide high quality and cost-effective video, voice and data content and services, in the areas of e-governance, education, health, tele-medicine, entertainment as well as other private services. A highlight of the CSCs is that it will offer web-enabled e-governance services in rural areas, including application forms, certificates, and utility payments such as electricity, telephone and water bills.

The centre had planned to roll-out over 1,00,000 CSCs across the country with a focus on the rural areas. These CSCs will deliver services in the areas of telecom, agriculture, health, education, entertainment, FMCG products, banking and financial services (insurance), utility payments among others. Each CSC is expected to serve a cluster of 6-7 villages, thereby covering more than six lakh villages across India.

The Public Private Partnership (PPP) model of the CSC scheme envisages a 3-tier structure consisting of the CSC operator (called Village Level Entrepreneur or VLE); the Service Centre Agency (SCA), that will be responsible for a division of 500-1,000 CSCs; and a State Designated Agency (SDA) identified by the State Government responsible for managing the implementation in the entire State.

Industry sources said that CSCs will be authorised to sell life and non-life policies after its officials undergo the mandatory examination conducted by the Insurance Institute of India.

"This will provide the much needed boost to insurance penetration in India. This model can prove to be cost-efficient and quick, if implemented in the appropriate manner," said a senior insurance executive.

According to the Irda Annual Report for 2011-12, insurance penetration, which surged consistently till 2009, slipped for the consecutive second year and stood at 4.1% in 2011, compared to 5.1% in 2010. Insurance penetration is measured as the percentage of insurance premium to gross domestic product.

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Health Insurance

Health claims: IRDA asks insurers for guidelines to TPAs - The Hindu Business Line

Insurance sector regulator IRDA has asked all general insurance companies to send detailed guidelines to third party administrators (TPAs) for payment of claim settlements related to health insurance.

As per IRDA (Health Insurance) regulations, TPAs may handle claims, admissions and recommend to the insurer for the payment of claim settlement on the condition detailed guideline is prescribed by the insurer to TPA for claim settlement.

However, TPAs are not allowed for claim settlements and rejections with respect to health insurance policies.

"Every insurer utilising third party administrators is advised to send a specific confirmation to this effect to the Authority on or before September 30, 2013," IRDA circular said today.

The Insurance Regulatory and Development Authority has advised all the insurers to ensure that detailed guidelines are prepared and given to the respective TPA as per its regulation.

[Source](#)

TPAs are engaged for the purpose of providing health services on the basis of a fee or remuneration by an insurance company.

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General Insurance

Non-life sector grows 18.13% in Q1 - The Financial Express

The non-life industry has registered 18.13% growth in gross underwritten premium for the first quarter of current fiscal ended June to Rs 19,515 crore compared with Rs 16,520 crore in the same quarter last fiscal. The market share of the PSU general insurers has decreased collectively from 58% to 55.25 % for the period April-June while the private non-life players have increased their market share collectively from 42% to 44.75%.

[Source](#)

While the PSU non-life insurers — New India Assurance, United India Insurance, National Insurance and Oriental Insurance — together reported a growth of 12.55%, private general insurers, totalling 23, posted a growth of 25.84% in the quarter. Private insurers' premium rose from Rs 6,938.81 crore in Q1 of FY13 to 8,732.14 crore in Q1 of FY14.

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General insurers offer sops as car segment slows down - Financial Chronicle

General insurers have started offering deep discounts to corporate clients in the wake of drop in the motor insurance and fall in new industrial projects, say industry officials.

"There are instances where the industry has started offering deep discounts to corporate clients as no new projects are coming up. On the back of a shrinking pie, companies are offering discounts even for operational projects," said an official from a large state-run general insurance firm.

Discounts on offer range up to 95 per cent in some cases, he said, adding that this kind of rate is not sustainable in the long-run.

An official from a private insurance firm said discounts offered in the recent time are due to the dip in motor insurance business, following the falling sales in the auto sector.

"The motor insurance segment has slowed due to the fall in auto sales. This has prompted some insurance players to offer discounts in other lines of business like commercial insurance segment," managing director and chief executive at Bharti Axa General Insurance Amarnath Ananthanarayanan said, adding offering of discounts has started in the last one month.

He also said these offers are not sustainable in the long-run and his company is not offering such deep discounts to clients.

Due to the general slowdown, growth of general insurance industry has come down to around 12 per cent in recent months from an average of around 18 per cent seen the last financial year.

This was mainly due to dip in the motor insurance business, which accounts for around 45 per cent of the total business.

Also, commercial business has also seen slowdown due to lack of new projects, creating fear of an overall low growth for the industry in the current financial year.

However, some industry officials differ in their views towards the discounts offered by general insurers.

"I think, after the detariffing in 2007, competition has pushed the premium down in some lines of business. So, one can't infer that if some discounts are offered, they are the direct result of the slowdown in some segments of general insurance industry," General Insurance Council secretary general R Chandrasekaran said.

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Bancassurance

Irda chief expects pick-up in bancassurance - The Financial Express

Banks and insurance companies will be encouraged to take advantage of the recent bancassurance guidelines issued by the Insurance Regulatory and Development Authority (Irda), said chairman TS Vijayan.

The insurance regulator had recently issued guidelines allowing banks to act as insurance brokers by tying up with multiple insurance companies and selling their products. However, banks would have to first take approval from the Reserve Bank of India.

"I think this will get wide acceptance. Companies and banks will be encouraged to go ahead with it,"

Vijayan said on the sidelines of an insurance summit organised by CII on Wednesday.

When asked whether insurance companies promoted by banks would be interested in tapping this route, Vijayan said that these insurers would get a wider set of geographies to sell their products. However, he reiterated that banks will have to take regulation from RBI at all costs.

To lure customers, insurance companies will not be allowed to offer anything over and above what the policy document promises, Vijayan confirmed. "If it comes to that, we will definitely take action," he added.

Earlier, while speaking to a gathering of the insurance industry, Vijayan said that the consolidation phase being seen within the insurance sector was not unhealthy.

"If the industry sees above normal growth, the regulator must be concerned whether some kind of bubble is building up," he said, suggesting that the sluggishness in the insurance market is not a matter of grave concern for the regulator.

The insurance sector can push growth by adding new distribution channels like banks, aggregators, common service centres and more, Vijayan said.

He added that it was important that insurance companies list on stock exchanges for enhanced corporate governance and transparency. The Irda chief, however, confirmed that no insurance company so far had come to it with a proposal to list, despite private players being around for more than 10 years.

On foreign direct investment (FDI), Vijayan said that the regulator did not have an estimate of how much incremental capital can come into the sector following a hike in FDI limits. More capital is not necessarily equivalent of good growth and development, he added.

Five insurance repositories get Irda licence. In a move towards paper-less insurance, Irda has given licence to five insurance repositories. S Roy Chowdhury, member (life), Irda, said that these repositories will be launched by finance minister P Chidambaram in Hyderabad soon. According to sources, these repositories may become live within this month. An insurance repository would provide a facility to keep insurance policies in electronic form and to undertake changes or revisions speedily.

"Currently, LIC spends nearly R600 on managing per policy. Last fiscal, there were 4.5 crore policies registered. The repositories will help in reducing this cost considerably," Roy Chowdhury said. In case of stocks, where all deals happen through a demat account, the same can be achieved in insurance policies, he added.

[Source](#)
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Survey & Reports

Biz practices, risk mgmt quality top insurance sector risks:PwC - Financial Chronicle

Institutional risks such as business practices and quality of risk management are among the top risks that the Indian insurance industry at present faces, says consultancy firm PwC.

According to a biennial survey of insurance risks conducted by CSFI (Centre for the Study of Financial Innovation) and PwC, besides, business practices and quality of risk management, other major risks are -- regulation, natural catastrophes and quality of management.

"Long driven focus on top line puts 'Quality of Management' and 'Business Practices' as two of the top five risk factors in India," PwC India leader financial services Manoj K Kashyap said.

Kashyap further said: "Business Practices has seen a striking rise in the global survey from rank 18 to rank 4, reflecting slippages in business standards during a hard market."

As per the survey, product development was ranked as the sixth major risk for the Indian insurance industry, followed by reputation (7th), innovation (8th), investment performance (9th) and corporate governance (10th).

Meanwhile, on the question of how well Indian insurers are prepared to handle the risks identified, India scored at 2.73, below the global average of 2.95.

In India, over-regulation and under-writing risks are serious matters of discussion, while, lower-rated concerns included the risk around long-term liabilities and actuarial assumptions, which were seen by some respondents as quite conservative in India.

Globally, the survey identified "regulation" as the top risk concern for insurers, underlining the continuing uncertainty surrounding major regulatory initiatives.

The survey further said there is excess capital in the industry, particularly on the non-life and reinsurance sides, which is keeping prices soft and hurting profitability.

Another receding risk, at least in developed markets, is human resources: the shake-out in the financial services sector has made it easier to recruit and keep good talent. The situation is harder in emerging markets where qualified talent remains in short supply in many markets, PwC said.

Source

The global survey polled over 650 insurance practitioners and industry observers in 54 countries to find out where they saw the greatest risks over the next 2-3 years.

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Global News

CII launches equality strategy - <http://www.insurancetimes.co.uk>

New CII guidance aims to promote equal opportunities and stamp out discrimination.

The Chartered Insurance Institute has launched an equality strategy as part of its strategy to be a diversity-aware and inclusive professional body.

It said the aims of the new strategy are to eliminate unlawful discrimination, harassment and victimisation, to advance equal opportunities between those with a so-called protected characteristic and those without, and to foster good relations between those with a protected characteristic and those without.

Under the Equality Act 2010, protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Public sector duty

The new scheme is designed to align the CII with the public sector equality duty, which was introduced in 2011 as part of the Equality Act 2010.

The CII said that although it is not a public body, it does have a public interest function. This is in line with the objective of the CII's royal charter to "secure and justify the confidence of the public" by guiding the insurance profession.

CII vice-president and chair of the CII's Diversity Action Group Liz Coyle said: "The equality strategy is one of the marks of a professional and diverse organisation, prepared to take a good look at its operations, and in my view clearly demonstrates the CII's ambition in its move to be a 'best practice' organisation.

Source

"Respecting equality and diversity is key to the CII enabling its students, members and prospective members to access all the benefits the CII has to offer."

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US property/casualty reserves still adequate – Fitch - <http://www.reactionsnet.com>

US loss reserves remain favourable for the property/casualty industry, believes rating agency Fitch.

In a report released today Fitch stated that the end of 2012 represented a seventh successive year of favourable development. Although the magnitude of such development declined from 3.0 percentage points in the previous year to 2.3 percentage points in 2012, Fitch notes that this drop was expected.

Low interest rates and low general inflation have promoted claims cost stability for the property/casualty insurance industry, says the report. Fitch states that a return to sharply higher inflation appears unlikely in the near term, reducing the risk of adverse reserve movement for insurers.

The report cites key claims cost drivers including medical and tort-related costs as having been more stable recently as well but they remain a potential source of future volatility. Individual segments that faced greater exposure to past competitive market conditions and economic recession were, according to the report, showing increased signs of reserve inadequacies.

Segments affected by this included workers compensation, product liability and commercial auto liability. Conversely, segments with a recent history of reserve strength continue to demonstrate estimated redundancies. Medical professional liability, personal auto liability, and other liability occurrence lines have the highest estimated redundancy as a percentage of carried reserves.

Fitch mentions that current reserve ratios may indicate reduced strength in the market.

The report states: “Recent reported levels of paid to incurred losses and incurred but not reported loss reserve (IBNR) levels to incurred losses have deteriorated gradually over time to levels that historically have not corresponded with strong reserve redundancies.”

However, despite the potential trouble ahead, the capacity available to the industry and the current low level of inflation mean that the industry is able to withstand any deficiencies.

Source

Therefore the seventh straight year of favourable loss reserve development can be seen as an industry positive with reserves being “adequate” to withstand potential volatility according to Fitch.

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British motor insurance still loss-making: E&Y - <http://www.reactionsnet.com>

Britain's motor insurance is unprofitable with competitive premiums despite being at its strongest since 2007.

Profits will continue to fall throughout 2013 and insurers will struggle with further regulatory reforms in 2014, Ernst and Young predict.

The industry has a combined ratio of 102.6%, according to Ernest and Young therefore motor insurers are paying 2.6p more in claims than they earn in premiums, the *Sunday Telegraph* reported.

Underwriting profit was only made by a third of insurers made an underwriting profit last year and two thirds made an overall profit due to investment income.

Source

Although 2012 results look good, a closer look shows the market has turned too soon Catherine Barton, partner in Ernst and Young's financial services team, told the *Sunday Telegraph*.

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UNEP Press Release

Principles for Sustainable Insurance create largest collaboration between United Nations and insurance industry

For details

World's insurers publicly disclose progress in implementing global principles a year after launch at UN Conference on Sustainable Development.

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