Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

1st – 7th July 2016

• Quote for the Week •

"Decide whether or not the goal is worth the risks involved. If it is, stop worrying."

Amelia Earhart, aviator

INSIDE THE ISSUE

Life Insurance

Insurance e-commerce: Flash sales of policies may be coming soon – The economic Times – 6th July 2016

Heard of flash sales of smartphones on e-commerce websites? Soon, one could be lured into buying insurance products in milliseconds. It may sound like an exaggeration now but soon one may be able to buy such products online just like one orders food or buys movie tickets. Welcome to e-commerce in the insurance sector in the form of e-insurance policies.

But insurance is anyway being bought online. So, what's changing? Well soon, one may be able to buy insurance from not only the insurer's website, but also any third-party website. Here's how it's taking shape.

The Insurance Regulatory and Development Authority of India (IRDAI) has floated a draft proposal to allow e-commerce in insurance, the regulations of which will be called the Insurance Regulatory and Development Authority of India (Insurance e-commerce) Regulations, 2016. The idea is to help increase insurance penetration and bring about more financial inclusion. Alok Bansal, Co-founder & CFO, PolicyBazaar.com, feels, "New norms are an indication of the larger goals that the regulator is working on, which is to provide greater access to the consumers, which in turn helps create a larger market for insurance products."

E-commerce players

The draft aims to open up the distribution space by allowing for the creation of Self-Network Platform (SNP), which can be a regular website (desktop or mobile version), or mobile app or both. As per the draft, besides the insurer, insurance intermediaries, insurance agents or any other person recognised by IRDAI will be allowed to set up such a platform and start selling insurance products. Naval Goel, Founder & CEO, PolicyX.com, says, "This draft will encourage more competition in the fast-growing online insurance sector and will help customers to choose from a wide variety of service providers. IRDAI has ensured that the insurer is responsible for the agent who has set up the Self-Network Platform for selling and servicing of the product which implies strict adhering to the guidelines set down by the regulator."

Digital covers

It means that once the draft proposal is implemented, a prospective buyer would be able to electronically fill the proposal form of an insurer's product, digitally sign it and complete other formalities online, including furnishing the KYC requirement electronically and getting the policy document delivered into the electronic Insurance Account (eIA) of the policyholder. "It's a signal to the whole ecosystem to start taking the digital medium seriously," Bansal says.

A demat account is therefore indispensable before you buy the product from an e-commerce site. An electronic or digital signature, or single-factor authentication such as one-time password, PAN card and date of birth may be used for underwriting and acceptance of risk for insurance business transacted on the Insurance SNP.

Distinguishing the products

On the e-commerce platform, the product will carry a prefix "i" against its name. Varun Dua, Co-founder & CEO, Coverfox.com, says, "There will be only two types of products, Online and Offline. The Self-Network Platform will have to credit all products sold online into the customer's e-Insurance account as per the recent e-Insurance policy regulation issued by IRDAI."

Online offerings

As per the draft regulations, the insurers may allow existing products to be sold on the e-commerce platform or may offer new products to suit the online immunity. Dua says, "Most insurers would love to distribute their existing policies through their online channel. We don't foresee insurers selecting few or new ones. All products that are relevant to an online buyer would get distributed through the Self-Network Platform." Insurers may offer differential pricing for the same product when sold on the e-commerce sites. Naval Goel, Founder & CEO, PolicyX.com, adds, "They will be selective in getting the products online. They will also plan completely new products for Self-Network Platform".

Threat of mis-buying

Insurance is a complex hybrid product combining insurance and investment. Proper needs analysis is required to buy the right life insurance product. Even in health insurance, there are many products with varying features. Making the right choice requires a bit of understanding or the right kind of guidance. Even though online platforms offer many products to choose from, making the right decision could pose a challenge. Bansal says, "Advisory plays a big role in decision making for little complicated and critical insurance products. For instance, health, term, critical illness covers always require more advice than simpler products like travel, two-wheeler, motor cover that involve personal liability, assets, events being covered. In the latter products, advisory plays a limited role."

Nilesh Parmar, COO, EdelweissBSE Tokio Life Insurance, says, "The ability to provide an online experience that most genuinely translates the offline experience of need-based selling on to the e-commerce platform would stand out as the key differentiator between the best insurance SNPs and the rest of the pack as no biases will creep in since there is no human being involved between the customer and the platform."

What if the customer also wants advisory from the insurance online platform? "It has to make a commercial sense too. In the products priced at less that Rs 1,000, advisory economics will break down at that level. On our platform, 80% of the purchases made for travel, two-wheeler, motor covers are unassisted and don't require any human intervention/advisory." So, there could be a robo-advisory kind of model in insurance that may come at a price for advisory.

Selling dashboard

Similar to any other product on the e-commerce site that carries specifications, the insurance product too needs to carry information on the type of consumer for whom it is intended , its main characteristics, the options and coverage provided by it, the exclusions and limitations associated with it, the total premium and other charges (including all applicable taxes). Importantly, the cancellation policy should also be there along with the time limit within which the policy can be cancelled and the procedures for cancelling.

In addition, e-commerce sites would be asked to disclose the turnaround time for each service and the process to be followed. The process and timeline for services such as issuance of policy, crediting to the eIA, change of name or address, registering of nomination or assignments, surrender, maturity payouts, revival of policies, duplicate policy amongst any other service operations as may be specific for the products also need to be disclosed. Easwara Narayanan, Chief Operating Officer, Future Generali India Insurance, informs, "Dispensing with the hard copy of the proposal form and physical or wet signature is a well thought out enabler. Authentication through OTP (One-time Password), PAN card or date of birth makes the whole process easier."

A mechanism to address policyholders' grievances, which are to be attended in the time frame specified by the Authority from time to time, is to be provided by the website. The grievances registered shall, however, be managed through IRDAI's Integrated Grievance Management System.

Integrated insurance services

IRDAI makes it clear that SNPs will not be merely sales-oriented platform but have to address all service-related issues of the policyholder. Before selling, the e-commerce player has to enter into an agreement and get real-time connectivity with the insurer to service the customers. The platform will have to enable seamless integration of filling up the proposal form, acceptance of the proposal, compliance of KYC norms, payment of premiums, issuance of insurance policies and endorsements, acceptance of policy servicing requests, settlement of claims, payment of benefits and any other activity as part of the insurance policy. Features like free-look or grace period will be exactly the same for both online and offline customers.

Conclusion

IRDAI will be considering the feedback of the concerned players and analyse the pros and cons before implementing the regulation. It will be interesting to note how the pricing and commission structure will take shape. It remains to be seen whether it will merely open up the space or also help consumers take an informed buying decision.

Source

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Valuing life insurance firms is no easy exercise - The Hindu Business Line – 4th July 2016

The life insurance industry has been abuzz with mergers and acquisition activity in the last couple of months, and this could change the structure of the business in India.

First came the intentions of HDFC and ICICI Bank to list their respective insurance subsidiaries — HDFC Standard Life and ICICI Prudential Life. Both their boards gave an in-principle nod for listing these entities by the end of this fiscal.

But HDFC soon came out with another announcement that it was looking at an amalgamation scheme for HDFC Standard Life with Max Life Insurance and put its IPO plans on hold until the due diligence of the deal is done.

On June 21, Bank of India reduced its stake (to 30 per cent) in its life insurance JV, Star Union Dai-ichi Life Insurance Company, by selling 18 per cent of its stake to JV partner Dai-ichi Life, for about ₹540 crore. Valuation of a life insurance company has its own set of variables to be assayed.On the insurance IPOs on the anvil, experts say there is sense in unlocking some value.

Abhishek Bhattacharya, Co-Head and Director–Financial Institutions, India Ratings and Research, said: “These businesses were built with the purpose that some of it (value) should be realised. The caveat here is some of these players have matured.

“And when you are mature you would have put in slightly more cost/investment into people, into commissions, you would have a more steady scale model and maybe slightly more compressed margins today. Valuations are sensitive to parameters such as persistency ratios. Even a 10 percentage point change from, say, 60 to 70 could drastically change your valuation.”

“When you value an insurance company, it is based on the franchise value. Franchise value is embedded value (EV) plus structural value (SV), says Jyoti Vaswani, CIO, Future Generali Life Insurance.

“Embedded value is the value of my current book. So, if I have ‘x’ amount of business as of today, I project my future profits from this business, discount it back and get embedded value plus my net worth sitting in the books currently (total assets minus total liabilities). It is the value of in-force business. This is what we call as embedded value.

“When you are taking embedded value you are assuming that this book remains as it is and there is no growth in the future. So you have to have a structural value as well. You have to project what new business will come in for the next 10/20/30 years, project profits of that and discount it to arrive at a structural value. So that is called the franchise value,” Vaswani adds. Franchise value is embedded value plus structural value, which gives the value of the firm — the life insurance company.

Cost side

According to Bhattacharya, “There are two big pieces to the cost side — one is the agent commission and second is the opex (operational expenditure), which is not much after the initial year. After the initial year, you just allocate certain percentages.

“Also, you can estimate using market share today. The valuation of the insurance sector is pegged at anywhere between $45 billion and $80 billion. You can make a sense of how much this player can grow in terms of market share — if it’s a 2.5-3 per cent market-share player and expected to go up to 5 per cent, you ascribe some value. So that is another approach.”

Ratios
On the ratios that need to be tracked, Sampath Reddy CIO Bajaj Allianz Life Insurance Company says business growth, mortality ratio and persistency ratio are important.

"If a company has risky clients, then it would not receive a higher valuation multiple because mortality ratio determines the insurer's underwriting profits. Similarly, higher the persistency ratio better is the insurer's profit and better is the multiple. Expense ratio is important because expenses eat into the NBAP (new business achieved profits) margins."

According to the Head of Research at an MNC brokerage, "The debate is what should be the NBAP margin and what should be the multiple. NBAP margins vary according to the type of products sold by the insurer. What level of disclosure would do is also yet to evolve."

Other nuances
"But there are challenges. For example, if it is a young company which has just started business, the EV will be low and SV will be high. Value of in-force business will be lower and growth potential will be higher. In a mature business, it will be the reverse.

"So typically the deals that have happened in India so far have happened at a multiple of EV, typically at 3-3.5 times the EV," says Vaswani.

"Those who use technology are likely to do well in the long run as it is important to reduce cost of intermediation. Industry is moving towards the bancassurance model and away from the agent model. In the last five-seven years bancassurance has picked up momentum and now commands about 60 per cent of the business," says Reddy.

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Health Insurance

Health insurance of govt employees extended by 4 years – The Times of India – 7th July 2016

Tamil Nadu government has extended the health insurance scheme for its employees by another four years. This will cost the government 17.90 crore. More than 10.22 lakh employees, who will benefit from the scheme, will have to pay 180 per month to avail it, said an official statement. The present insurance scheme for employees ended on June 30, 2016.

"Chief minister J Jayalalithaa has ordered extension of the scheme from July 1, 2016 to June 30, 2020. Public sector insurance company United India Insurance has been awarded the contract after tenders were invited," said the statement issued by the director of information department.

"The new insurance scheme has a limit of 4 lakh and covers a government employee as well as his or her family. The limit has, however, been increased to 7.5 lakh for treatment of cancer and organ transplants," said the statement. The new insurance scheme also covers disabled dependants of employees who have 40% disability. There is no age limit for the disabled to avail themselves of the benefit. Employees of government department, local bodies, public sector undertakings, corporations and universities are eligible under the new scheme.

Government employees, however, have expressed dissatisfaction. "We wanted government to manage the scheme as was being done in Andhra Pradesh, Kerala and other Central public sector undertakings. We gave representations to the government asking it to mange the scheme but it has not been accepted," said Government Employees Association chief R Balasubramanian.

Source

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Health cover rates to change every year - Financial Chronicle – 7th July 2016

Don't be surprised if your health insurance policy premium keeps increasing every year. In a move that would pinch the pockets of crores of health insurance policyholders, especially the senior citizens, the insurance regulator would soon be allowing insurers to change pricing every year. Till now, insurers could revise the pricing once in a block of three years. The new norms are being introduced after the regulator took note that while individual health insurance businesses have been profitable for insurers, they have been incurring losses on the overall portfolio due to the huge discounts to large corporate houses that buy group health insurance for their employees.

Insurance regulator, Insurance Regulatory and Development Authority of India (Irdai), has made several changes to the health insurance regulations 2016 that are expected to be notified soon. The new norms allow pricing of products to be reviewed every year for one-year term products or after completion of the term for products under general insurance. Irdai would also be deleting the provision enabling the insurers to consider two years' sum insured when a claim event falls within two policy periods. This revision will hurt policyholders.

The minutes of the 92nd meeting of the authority held on March 11, released last week, said, "The joint director (health) made a presentation on the proposed Irdai health insurance regulations 2016, explaining the proposed provisions of the regulations and the rationale for the same. After due deliberations, the authority approved the regulations."

Speaking about the modifications in the proposed health insurance regulations, 2016, the note said, "Pricing of products to be reviewed every year for one-year term products or after completion of the term for products under general insurance and once in a block of three years for life insurance, as far as individual products are concerned. For group products, for both general and life, it shall be on completion of the term."

A senior official of a private insurance company told FC, "There is an element of medical inflation that should be considered. Earlier when an insurer would increase the premium after three years, it would be 25-50 per cent or even more, which would come as a sudden shock for policyholders. But now the increase would be lower, as it would be every year."

Another senior official of a top private insurer told FC, "The clause of allowing policyholders to avail two years' sum insured when a claim event falls within two policy periods has a potential to be misused. So we had asked the regulator to delete it. There were cases where people were postponing their hospitalisation towards the end of the policy period to avail double sum insured." Speaking about pricing revision, the official said, "Insurers should have the ability to revise the price if they can provide a case for it under the file and use guidelines."

According to the Irdai's annual report 2014-15, the non-life insurance industry had an individual net incurred claims ratio in individual business of 85 per cent in 2011-12, which reduced to 83 per cent in 2012-13 and 2013-14, and further reduced to 81 per cent in 2014-15. If one adds distribution commissions and administrative cost, the total claims ratio would be less than 95 per cent. On the other hand, the net incurred claims ratio was 100 per cent in group health insurance in 2011-12, which rose to 104 per cent in 2012-13, 110 per cent in 2013-14 and a whopping 116 per cent in 2014-15. Government health insurance schemes had a net incurred claims ratio at 90 per cent in 2011-12, 87 per cent in 2012-13, 93 per cent in 2013-14 and 108 per cent in 2014-15. As a result, the net incurred claim ratio in total health insurance business was 94 per cent for 2011-12 and 2012-13, it went up to 97 per cent in 2013-14 and it was 101 per cent for 2014-15.

"Among the various class of health insurance business, the net incurred claim ratio is high particularly for group (other than government) business which was more than 100 per cent for each of the preceding four years, and it is also consistently increasing over the years," the Irdai annual report pointed out.

Health insurance business is classified into group health insurance (other than government sponsored), government sponsored health insurance and individual health insurance. Over the past five years, there is a marked increase in the share of individual health insurance premium in total health insurance premium -- increasing from 35 per cent in 2010-11 to 44 per cent in 2014-15. On the other hand, the share of government sponsored health insurance business in total health insurance premium has come down from 20 per cent in 2010-11 to 12 per cent in 2014-15. However, the share of group health insurance business (other than government business) in total health insurance premium remains static around 45 per cent for the past five financial years.

The premium collection in health segment continued to surge ahead at Rs 22,636 crore in 2014-15 from Rs 19,634 crore of 2013-14, registering growth of 15.29 per cent. However, the market share of health segment, which is 26.73 per cent, has slightly increased from previous year, which was 25.32 percent. Group health insurance policies are high volume one-year policies and help insurance companies to report a better topline.

Source

General Insurance

NITI Aayog CEO will discuss crop insurance issue with PM – The Times of India – 6th July 2016

National Institution for Transforming India (NITI) Aayog CEO Amitabh Kant on Tuesday promised to discuss the matter of bringing in sugarcane, silk and banana crops within the ambit of Pradhan Mantri Fasal Bima Yojana, with the Prime Minister.

Speaking during the inauguration of a state-level farmers' convention at Kalamandir here on Tuesday, the top bureaucrat explained that agriculture is a risky profession in the world. The yojana was introduced to protect farmers from crop loss. Under this, a part of the premium has to be paid by farmers, and the government will bear a major share of the premium to provide full insured amount to farmers in cases of crop loss due to natural calamities.

"Farmers' associations have been urging the Cenre to include sugarcane and silk under the scheme. I will discuss this with PM the issues of including silk and banana. But with regard to sugarcane, the farming community has to ensure reduced water consumption so as to have the crop insured," he added. Farmer leader Kurbur Shanthakumar intervened and said that sugarcane growers have already reduced water consumption by 30% through drip-irrigation method. He also assured him that they will reduce it further. To this, Kant said that the water intake has to be down by 75%.

Agriculture forms the largest sector of economy, covering 49% of population. The CEO, however, regretted that per-hectare output in India has been low compared to other countries. He reasoned that it may be because of poor access to modern technology and little technical breakthrough in the sector.

"More jobs must be created if India has to grow at the rate of 9-10% for next three decades. The agriculture sector plays an important role in this regard. Production has to be raised, and there is a need for diversified action. Besides farming, farmers should focus on cattle- and livestock-rearing, horticulture, fish culture, floriculture and organic farming to generate more income.

Kant said field officers at the grassroots levels can bring in changes and implement government programmes effectively. Bail out cane growers, ryots tell NITI Aayog.

Karnataka Sugarcane Farmers' Association on Tuesday submitted a memorandum to NITI Aayog CEO Amitabh Kant, pressing for various demands. Their demands: include sugarcane and silk under Pradhan Mantri Fasal Bima Yojana, revise fair and remunerative price for sugarcane, extend rebate on interest period for sugarcane and banana to 18 months, revise maximum support price for paddy, and direct the state governmetns to do away with 5.5% VAT on chemical fertilizers.

In the memorandum, association president Kurbur Shanthkumar has claimed that sugarcane farmers in Karnataka have lost 2 lakh acres of sugarcane crop due to drought, and that they have not received compensation still. "Of the total 1,340 farmers committed suicide in Karnataka, around 230 are sugarcane growers. Many are still reeling under heavy debt. The government must show compassion by helping out farmers in distress," it said.

Source

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Insurance proposed for accidental medical expenses of transport drivers - Business Standard – 6th July 2016

The insurance industry may be required to offer a cover for medical expenses of both transport and non-transport drivers in case of an accident. The group of ministers (GoM) constituted by the Ministry of Road Transport & Highways has in its draft interim report recommended that suitable provisions should be made in the Motor Vehicles Act to mandate this insurance cover.

The present provision of the Motor Vehicles Act provides for the lnsurance of the motor vehicle. Third party motor insurance is mandatory in the country, which is taken by the owners of the vehicles. This covers against liability arising out of third party liabilities.

However,it does not provide for the accidental insurance cover to transport drivers. In the event of an accident; the drivers are' at the mercy of their employers for meeting the medical expenses and most often are not able to avail proper medical treatment for the paucity of funds.

"Keeping the need for urgent changes in the Motor Vehicle Act and the Central Motor Vehicle Rules to address safety and efficiency issues in the transport sector,' pending the finalisation, of the Road Transport and Safety Bill, necessary amendments may be carried out in the present Act and Rules," said the GoM in its draft report.

In the past one to two years, third party (TP) motor insurance refusal rates have seen a big drop with the regulator cracking the whip on insurers refusing to provide covers as well as norms mandating them to do so. Not only have insurers been barred from refusing to cover a third party motor risk, they have also been asked to sell motor TP products online.

The draft report also raised concerns that the drivers are not covered by the provisions of third party insurance cover. It has also recommended that third party insurance must cover the accidental insurance for the hired/paid drivers to the extent of Rs 50000. While these covers are taken by the owners of the cars/vehicles presently, it is not mandatory.

Sanjay Datta, chief, underwriting and claims, ICICI Lombard General Insurance said that there is paid driver insurance available, but it is optional. "It is possible to put it as part of the third party cover. Here, the owner of the vehicle will have to take this as a part of the TP cover," he said.

As per a draft proposal under the Road Transport and Safety Bill, the maximum liability for compensation to a victim by the insurer linked to the regulated minimum premium shall be a sum of Rs 15 lakh. Hence, those seeking a large cover and willing to shell out a hefty premium might now get unlimited liability insurance from general insurance companies.

Insurers said that commercial vehicles like trucks account for the maximum claims with respect to the value of claims paid and has been seeing a 5-10 per cent rise every year.

The GoM has recommended setting up a group of officers under Ministry of Road Transport & Highways and Department of Financial Services, insurance companies to study and recommend the insurance compensation amounts and also simplify the entire procedure for claim.

Source

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Crop insurance scheme to cover areca, pepper - The Hindu Business Line – 5th July 2016

Arecanut and pepper crops will be covered under the weather-based crop insurance scheme in 230 village panchayats of Dakshina Kannada district during the kharif season of this year.

Addressing presspersons in Mangaluru on Tuesday, AB Ibrahim, Deputy Commissioner of the district, said the crop insurance scheme is compulsory for those who have taken farm loans from banks and cooperative societies. The last date for paying premium for the insurance scheme has been extended up to July 10, he said.

Premium

Yogesh HR, Deputy Director, Karnataka Horticulture Department, said the insured amount for arecanut is Rs. 1.25 lakh per hectare, and the premium is Rs. 12,500. He clarified that farmers have to pay Rs. 6,250 per hectare as premium.

In the case pepper, the insured amount is Rs. 37,500 per hectare, and the premium is Rs. 3,750 per hectare. Of this, the farmer will have to pay Rs. 1,875 per hectare. The remaining premium amount will be borne by the Central and State governments for both arecanut and pepper crops, he said.

Coverage

Stating that the impact of heavy rainfall is covered under the scheme, he said if any village panchayat area receives average rainfall of around 20 mm for consecutive seven days or average rainfall of 50 mm for consecutive four days, arecanut plantations in those panchayats would be eligible for claims under the scheme.

Continuous heavy rainfall with intermittent bright sunshine hours, low temperature and high humidity lead to the spread of fruit rot disease in arecanut plants. The disease is characterised by rotting and heavy shedding of immature nuts.

The impact of high temperature on arecanut plants during summer months is also covered under scheme, Yogesh said. Dakshina Kannada district has around 1.95 lakh farmers. The crop insurance is mandatory for 95,000 farmers who have taken loans from banks and cooperative societies, he said.

Source

India: State-owned general insurers allowed to cover farm plans – Asia Insurance Review

The Indian government has now allowed all the four state-owned general insurers to participate in its ambitious farm insurance schemes which are the Pradhan Mantri Fasal Bima Yojana (PMFBY) and the Unified Package Insurance Scheme (UPIS) with a potential of over US$2.5 billion in premium collection.

As of now, AIC is the sole state-run company which has been providing the coverage. Now, all the four state-owned companies will associate with AIC to provide cover under the schemes, reported Press Trust of India.

The government kicked off the scheme on 1 June without involving any of the four public-sector general insurers, who control almost 50% of the market. Only 11 private-sector players are allowed to participate because of their better experience in crop insurance schemes, an area which state-run insurers have shied away from so far. This is despite the fact that state-run non-life insurers have a massive presence in rural and semi-urban areas compared to their private sector counterparts, which will help increase the reach of PMFBY.

The PMFBY replaces two crop insurance schemes--the National Agricultural Insurance Scheme (NAIS) and the Modified NAIS. For Kharif crops, that is, crops cultivated and harvested during the rainy season in South Asia, which lasts between April and October, the premium charged is up to 2% of the sum insured, while for Rabi (winter) crops, the premium will be up to 1.5%. The UPIS aims at providing financial protection to those in the agriculture sector, to ensure food security and crop diversification and to enhance growth and competitiveness of the agriculture sector. The UPIS will be implemented in 45 selected districts on a pilot basis from the 2016 kharif season.

Mr K Sanath Kumar, Chairman and Managing Director of National Insurance Company, said: "We are working with Agricultural Insurance Company (AIC) as they are providing us technical knowhow."

Source

Referring to the farm insurance business, he said: "I do believe that it will be a profitable venture as it has been priced on the basis of actuarial calculations, which will ensure the insurers get the right price for providing cover."

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Reinsurance

ITI Reinsurance clears first hurdle for Irdai licence - Business Standard – 1st July 2016

ITI Reinsurance, part of Fortune Financial Services, is set to become the first private sector reinsurance company in India. Sun Pharmaceutical's Executive Director Sudhir Valia and family control Fortune Financial Services. On Thursday, the Insurance Regulatory and Development Authority of India (Irdai), gave the first phase licence or R1 to ITI Reinsurance.

At present, there is only one domestic reinsurer, General Insurance Corporation of India (GIC Re), a public sector company. Other players that have applied for branch licence include global leaders like Swiss Re, Munich Re and Hannover Re.

Senior officials close to the development said that after the initial approval, ITI Reinsurance will have to secure the R2 and final R3 licence to commence reinsurance business operations. R1 is the preliminary approval given to companies. Officers at Fortune Financial could not be contacted.

Reinsurance is taken by insurance companies to mitigate the financial risks that they take on their books by offering covers to entities. This covers them from any potential losses that they could face due to high claims. In 2014, Valia, his family members and a few other investors acquired a majority stake in Fortune Financial Services from J T Poonja and Nimish Shah. Valia is Sun Pharmaceutical Managing Director Dilip Shanghvi's brother-in-law. In March 2016, Fortune Financial Services announced that it had acquired Kohinoor India Reinsurance Company and was planning to enter the reinsurance venture through this subsidiary.

Shiv Sena senior leader Manohar Joshi's Kohinoor Group had earlier applied for a reinsurance licence with Irdai.

Fortune Group, which comprises the holding company Fortune Financial Services, provide a range of financial services including equity and commodity trading, portfolio management services, distribution of mutual funds and insurance products.

Indian insurers often spread their risks, especially in the commercial and industrial insurance space, among several reinsurers so that risks are evenly spread and there is adequate capacity to cover it. According to recent Irdai norms, which will be reviewed after 12 months, the first preference in reinsurance treaties will be given to Indian reinsurance companies. If ITI Reinsurance gets the final licence, it will also get these benefits along with GIC Re.

However, GIC Re as the sole domestic reinsurer get a mandatory cession of five per cent from general insurers. Mandatory cession to GIC Re means a fixed percentage of the total risks has to be reinsured with the national reinsurer. It is not clear whether ITI Reinsurance will also get the same status once it gets the final licence.

Source

The reinsurance industry is worth about Rs 18,000 -18,500 crore in India, of which life insurance constitutes about Rs 1,200 crore.

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India: Life reinsurance sector to see increased competition – Asia Insurance Review

Reinsurance in the life sector in India is set to see increased activity as more players are looking to expand in the space.

The sole domestic reinsurer, GIC Re, is looking to focus on life business starting this year, reported Business Standard citing Ms Alice Vaidyan, GIC Re's Chairman and Managing Director. At present, the company has placed more focus on general insurance.

Foreign reinsurers are also looking to make it big in this segment. Reinsurance Group of America (RGA), which last week received initial approval to set up a branch in India, is looking to expand business in the country. Globally, RGA is the market leader in the life and health insurance space.

Currently, the reinsurance market is worth INR180 billion (US$2.7 billion) in India, of which life insurance contributes INR12 billion to INR13 billion. Reinsurers expect the market potential to be up to INR60 billion in the near future. RGA currently has a market share of 35% in India.

Source

Previously, there was a proposal to require life insurance companies to transfer up to 30% of their risks to GIC Re, but this has not yet been implemented.

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Survey & Report

Many have health cover, but inadequate: survey – 6th July 2016

Underinsurance in the health insurance business in India seems to be a much bigger problem with a large chunk of people either having next to nothing or believing their corporate cover is adequate. This is far from the required level, according to a recent study by BigDecisions.com.

The survey, which was conducted on BigDecisions' website over the last 12 months across 36,000 of its users, used healthcare treatment costs from Paramount Healthcare. Users were spread across eight cities—Bengaluru, Chennai, Delhi NCR, Hyderabad, Jaipur, Kolkata, Mumbai and Pune—and were from different age groups.

Most age groups in the study have less than 20% of the health insurance that they need.

"It's often seen as a 'yes' or 'no' answer when someone is asked if they have medical coverage from their employer. Not much thought is given to whether that's enough given treatments costs today, and what will happen if your next employer doesn't have this benefit," said Manish Shah, co-founder and chief executive officer, BigDecisions.com.

Apart from that, any bad experience in the past seems to have resulted in people shunning the entire category—difficulties in getting claims passed often results in people not seeing the benefit in spending on a product that they believe will not serve its core purpose, he added.

The issue becomes critical as consumers age. People aged 45 years and above will see their healthcare needs and therefore expenses rise dramatically over the rest of their lives. And yet, most have less than a sixth of what they need.

This level of coverage is likely to fall significantly post their retirement as it's likely that most users include their company cover in their current calculation of health insurance, which will most likely, be unavailable post-retirement. Despite such inadequate cover the focus of discussions almost always remain on product features, exclusions and price. It's akin to being demanding about how the food must look, taste and cost but having enough for just one member of a five-member household.

HUGE GAP

The table shows the percentage of health insurance that people in a particular age group have, compared with what they ideally should have. BigDecisions' survey found most respondents have less than 20% of the coverage they need.

City	Age group (in years) 18-25	25-30	30-35	35-40	40-45	45-50	50-55	55+
Bengaluru	3%	**4%**	7%	**8%**	10%	**10%**	8%	**5%**
Chennai	6%	**7%**	8%	**7%**	7%	**11%**	8%	**8%**
Delhi NCR	2%	**4%**	6%	**8%**	8%	**7%**	13%	**6%**
Hyderabad	3%	**4%**	7%	**7%**	8%	**8%**	7%	**3%**
Jaipur	6%	**6%**	5%	**7%**	7%	**5%**	17%	**5%**
Kolkata	2%	**4%**	6%	**8%**	5%	**4%**	3%	**11%**
Mumbai region	3%	**6%**	10%	**9%**	11%	**9%**	7%	**7%**
Pune	1%	**5%**	8%	**9%**	11%	**6%**	4%	**8%**

Base number: 36,000

Source: BigDecisions

Source

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Healthy growth in life, non-life insurance premiums in Asia: report – Mint – 4th July 2016

Despite economic headwinds, life premiums in emerging Asia grew faster in 2015 than in 2014, by 16% against 9.1%. The improved performance was in part due to recovery in India and the Philippines, and sustained strong expansion in Indonesia and Vietnam, according to a report by Swiss Re, World insurance in 2015:c steady growth amid regional disparities.

In India, the recovery was underpinned by investment-linked products, which posted strong growth through bancassurance channels. Nevertheless, the main contributor was China, where premium growth accelerated to 20% in 2015 from 13% a year earlier. This in turn was driven by insurers' raising guarantee rates to compete with wealth-management products offered by banks, after the regulator removed the interest rate cap on participating policies in October 2015. Overall sector profitability in emerging Asia remained solid on lower realised losses, but life insurers continue to face the challenge of low interest rates.

The outlook for the life sector in emerging Asia remains favourable with premiums forecast to maintain double-digit growth in 2016 and 2017. In China, the growth of life insurance premiums could slow from last year's high level as insurers become increasingly concerned about guarantees offered for products of longer durations.

Recent interest rate cuts in several countries, including China, India, Thailand and Indonesia, will put further pressure on insurers' profits.

Non-life insurance

Non-life premiums in emerging Asia grew by 15% in 2015, compared with 14% in 2014. Premium growth remained strong in China (+17%), the second largest non-life market in the world, driven by motor, guarantee&credit and agricultural insurance business. In most other emerging Asian markets, in particular India, Indonesia and Thailand, premium growth improved from a flat performance the previous year.

Growth in India was led by stronger health (including personal accident) and motor third-party liability premiums. In Indonesia, a recovery in motor premiums was the main contributor, while in Thailand health insurance performed well. In Malaysia on the other hand, non-life premium growth stalled in 2015 after 4.3% growth in 2014, mainly from slower sales of motor vehicles. Meanwhile, underwriting performance largely remained satisfactory in emerging Asia in 2015, particularly in China, Malaysia and the Philippines, given an absence of significant natural catastrophe losses. The explosion in the Tianjin port in August 2015, while being the largest man-made disasters in Asia with an estimated property loss of $2.5 billion to $3.5 billion, had limited impact on the profitability of China's insurers partly due to reinsurance recoverables.

The region is expected to sustain robust premium growth in 2016 and 2017. China, for instance, will benefit from the government's objective to raise total insurance penetration to 5% by 2020 from 3% in 2014. To this end, the government has initiated policies to encourage the development of property natural catastrophe, environmental liability and agricultural insurance, among others.

Source

Overall, non-life profitability in Asia will likely remain depressed due to the ongoing low interest rate environment and increasing price pressures in China and Malaysia due to motor de-tariffication.

Back

Customers seek long-duration insurance products: ICICI survey - The Economic Times – 4th July 2016

Recently, ICICI Lombard Long Term Two Wheeler Insurance (LTTW) crossed the 500,000 policy mark. A survey of 936 customers who bought the policy revealed some interesting preferences.

1. Four out of five customers were interested in longer duration cover in other segments such as health and car insurance.
2. 80 per cent customers were willing to renew policy for the long duration feature.
3. 51 per cent wanted to buy 3-year duration policy, when their existing policy tenure ended.
4. One out of four customers wanted a two-wheeler insurance with an even longer duration of 4 or 5 years.

Source

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IRDAI Circular

Source

IRDAI uploaded the list of life insurance products released during the financial year 2016-2017.

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Global News

Nepal: Insurance policy designed for seed producers – Asia Insurance Review

The Insurance Board (IB), the insurance sector regulator, has introduced seed crop insurance to provide protection to seed producers against losses inflicted by pests, diseases, adverse weather conditions, and natural disasters.

The insurance policy, which has been strictly designed for those who grow seeds of all types of cereal crops in bulk, has been circulated among non-life insurance companies, reported The Himalayan Times. "These insurers will now have to sell policies accordingly," said IB Deputy Director Mr Kundan Sapkota.

"One of the beauties of this product is that compensation will be extended based on projected yield," said Mr Sapkota. "This means if producers fail to harvest the quantity of seeds projected at the time of purchasing the insurance policy, they can file a claim and demand for compensation."

Also, the insurance policy covers losses caused by fire, lightening, earthquake, flood, drought, landslide, cyclonic storm, hailstorm, snow, sleet, other disasters, pests and diseases.

The insurance policy can be purchased upon paying a premium equivalent to 5% of the sum insured.

To be eligible for compensation, seed production should be conducted in at least a hectare of land in the Tarai and inner Madhesh plains, and at least 0.5 hectare of land in the hilly region. The IB has, however, allowed farmers to pool land to meet the minimum land threshold and become eligible for the insurance scheme.

The productivity of the land will be fixed on the basis of data provided by the Ministry of Agricultural Development, while the price of the projected yield will be calculated based on statistics provided by National Seed Company.

Source

Based on these parameters, insurance companies will pay 50% of the sum insured in compensation if losses are incurred within 15 days of planting. If losses are incurred within 16 to 45 days of planting, 70% of the sum insured will be provided in compensation. But for losses incurred after 70 days of planting, compensation of up to 90% of the sum insured will be provided based on shortfall in final production.

Back

Malaysia: Insurers readying for July 2017 de-tariffication start - Asia Insurance Review

Insurance companies in Malaysia have been investing in technologies to develop premium pricing models, in preparation for de-tariffication which is a year away, according to MIDF Research, which is a division of MIDF Amanah Investment Bank.

They aim to improve process and delivery channels, to sustain profitability growth from the third quarter of 2016 onwards, reported The Star newspaper citing a MIDF Research note.

The insurers that will benefit from the de-tariffication of motor and fire insurance tariffs will be those that deploy the best pricing strategies and focus on tactical flexibility, the research unit said.

Liberalisation would encourage an increased number of new insurance products. The note said: “Insurers can freely tailor their new products and price them according to risk profile and customer preferences.

“Correspondingly, this may result in higher premium income and lower claims ratio, which will be beneficial to insurance companies’ bottom line.

“We understand that some opportunists have already made their move to introduce their new products, pending the review by General Insurance Association of Malaysia, Malaysian Takaful Association and Bank Negara’s approval.”

MIDF said the overall impact to the industry is still too early to be determined at this stage.

“Although it is widely expected that the de-tariffication may literally lead to free competition market and subsequently, price wars for motor and fire tariffs, we opine that this will not happen.

“This is in view of the fact that pricing of insurance products is still required to fall within the risk-based capital framework issued by Bank Negara.

“Thus, it is immensely important for an insurer to invest in technology to build sophisticated pricing mechanisms and to improve its operational capabilities.

“Those lacking in capital to invest to improve their pricing models are likely to face an adverse impact from under-pricing for risk.”

Source

The first phase of the tariff liberalisation will be effective from 1 July 2017, and will allow insurers to introduce new products at market rates. The second phase, which will commence the following year, will see the removal of tariff rates for comprehensive and third-party motor, fire and theft policies. There will also be a gradual adjustment to fire tariff rates in the second phase of the liberalisation.

Back

China: Regulator eases infrastructure investments for insurers – Asia Insurance Review

The Chinese insurance regulator has revised rules to make it easier for insurance companies to invest in infrastructure projects in a bid to support a slow economy and create investment opportunities in an environment of low returns, reported Reuters.

Insurers will no longer need to obtain regulatory approval to invest in infrastructure, and their scope of investment will also be expanded, the China Insurance Regulatory Commission (CIRC) said on its website.

Currently, insurers can only invest in infrastructure in five industries including transportation, telecommunications, energy, municipal projects and environmental protection.

The move would "satisfy insurers' need to allocate their assets, to relieve their pressure in the current low-yield environment where there's a shortage of quality assets," CIRC said in a statement, adding it would also "support and stabilise the economy".

The CIRC said that since 2006, insurers have invested a total of CNY894 billion (US$134 billion) into infrastructure projects, but rules needed to be revised to reflect changes on the ground. The revised rules also introduced more risk-management measures.

Source

Back

Thailand: Insurance sector urged to modernise and adopt fintech – Asia Insurance Review

Thailand's insurance industry will have to modernise and get ahead of the technological curve in order to benefit from innovations in fintech, according to the law firm Tilleke & Gibbins.

While Thailand appears to be unprepared at present to conduct a sophisticated regulatory sandbox-type experiment for fintech, the country's insurance industry is gradually changing to absorb insurance technology (insurtech), the firm said.

The changes are taking place predominantly in four areas:

- Access to insurance products via websites, online channels, and personal devices is becoming more direct and easier. Premium benchmarking can now be easily done through personal devices through a simple click. Insurtech is bringing new technology intermediary players to the Thai market (e.g., web aggregators and online distributors).
- Communication via technology is more accessible to the public. Customers no longer need to rely on customer call centers or refer back to paper policies. All product information (and their advertisements) is readily available via websites, applications, smartphones, and personal devices. An application called "Claim-Di" is already facilitating communication and claims between drivers and insurance companies through mobile applications without the need for surveyors.
- Advanced analytics from the effective data collection of customers are being used to assess their risks and behaviors using wearable technology to evaluate the wearer's health habits and assess the insured customer's risk. This results in better premium rates especially in personal insurance products.
- Innovative technology products are being introduced to the market. "Pay-as-you-go" motor insurance was recently introduced into market, and cyber insurance will be available in the near future.

In addition, some Thai automobile insurance providers are already using telematics, such as "black boxes" installed in cars and mobile applications, to monitor customers' driving habits and calculate insurance premiums based on customers' individual risk, while incentivising safe driving with lower premiums. GPS tracking systems may also improve insurance response times by pinpointing drivers' locations.

As the personal market becomes more disaggregated, Thai insurance companies may move to commercial markets or niche markets. Thailand should modernise its regulatory framework for the insurance industry to ensure that these technological disruptions will benefit both consumers and the industry as a whole, Tilleke & Gibbins said.

Source

Back

South Korea: Total assets of insurers to hit KRW1 trln this year – Asia Insurance Review

The total assets under management of South Korean insurers will reach KRW1,000 trillion (US$868 billion) in the second half of this year on growing demand for post-retirement products, industry data showed yesterday.

As of the end of April, domestic life and non-life insurers held a combined KRW977.59 trillion in assets, up 2.9% from the KRW950.1 trillion at the end of December, reported the Yonhap News Agency.

"People are more concerned about life after retirement as Korea is one of the most rapidly ageing countries. So they buy more insurance products such as individual pension accounts to help financially support themselves after retirement," an industry official said.

But the domestic insurance market has reached a saturation point. Moreover, low growth and low interest rates remain major obstacles to making profits from asset management, he warned.

Source

China: Earthquake insurance policy launched for sale nationwide – Asia Insurance Review

China's first earthquake insurance policy was launched on 1 July, as part of an effort to establish a catastrophe insurance system in the country that is backed by the private sector so as to reduce the fiscal burden on the government in disaster relief.

The earthquake insurance policy is sold by Chinese insurers nationwide, reported the Xinhua News Agency.

Homeowners can buy insurance policies with a maximum payout of CNY1 million (US$150,000) to cover loss and damage to residential property caused by earthquakes with a magnitude of 4.7 and above, according to the CIRC.

The premium rates will vary depending on factors such as the location and construction of property, as well as the probability of earthquakes, according to the insurance regulator. The average premium rate of the earthquake insurance is 0.04%, meaning that policyholders will pay roughly CNy400 per year to receive a maximum compensation of CNY1 million for damage to their homes.

Policyholders in rural areas will get a minimum compensation of CNY20,000 while urban policyholders will receive CNY50,000, according to the regulator. Guo Hong, an official from the Insurance Association of China, told the media that policymakers will also seek to expand coverage of catastrophe insurance beyond earthquakes to other types of major natural disasters in the future.

Mr Jiang Caishi, Vice President of Chinese insurer PICC Property & Casualty Co, said that the purpose of the earthquake insurance product is not to replace everything the policyholders might lose in an earthquake but to provide additional help for them to respond to natural disasters.

Source

CIRC official He Hao said earthquake insurance will not made mandatory policy for the moment. CIRC is pushing nationwide legislation for a catastrophe insurance system and it is expected to complete the legislative work by next year, he said.

Back

Thailand: Insurance mart grew by 4.5% in Q1 - Asia Insurance Review

Thailand's insurance premiums reached THB193 billion (US$5.5 billion) in the first quarter, showing a 4.5% growth rate from the same period last year, according to the Office of Insurance Commission (OIC).

The regulator added that the premiums accounted for 7.64% of Thailand’s gross domestic product, reported The Nation newspaper.

OIC Secretary General Suthiphol Thavichaikam attributed the growth to economic expansion in the first quarter. The GDP in the quarter expanded by 3.2%, compared to 2.8% in the fourth quarter of 2015.

Of total premiums, THB140.34 billion was generated by the life insurance business, up by 6.06% year on year in line with growing health concerns.

Source

The non-life insurance business generated premiums worth THB52.66 billion for the first quarter, up by 0.69% compared to the corresponding quarter last year.

Back

Philippines: Insurers' sales and profits fell in Q1 - Asia Insurance Review

Despite the better-than-expected 6.9% economic growth in the first quarter, insurers in the Philippines saw their sales as well as profits fall in the first quarter of this year compared to a year ago.

Data released by the Insurance Commission showed that the industry’s total premiums for January to March declined by 15.2% to PHP47.7 billion (US$1billion) from PHP56.3 billion a year ago, reported the Philippine Daily Inquirer. The life sector reported a steeper fall of 19.7% to PHP38.6 billion in premiums. The non-life sector’s total net premiums written, on the other hand, grew by 11.3% year-on-year to PHP9.1 billion.

An industry executive said that he noted that there might have been consumers and investors who opted to take a wait-and-see stance ahead of the presidential election last May.

Lower sales pulled down profits, bringing the insurance industry's total net income to just over PHP5 billion, down 3.7% from PHP5.2 billion in the first three months of last year.

The life sector's net income increased by 3.1% year-on-year to PHP4.5 billion, while non-life insurance firms' combined profit slid by 38.8% to PHP518.4 million.

Source

Insurance Commissioner Emmanuel Dooc has said that total insurance premiums could hit PHP300 billion this year, to surpass the record-high of over PHP230 billion last year.