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Insurance Industry

Insurance Bill retains proposal to raise FDI cap to 49% - The Financial Express

Despite a parliamentary standing committee's firm stand against hiking the 26% foreign direct investment cap in insurance, the government has decided to approach Parliament with its original proposal to hike the limit to 49%, considering the sector's huge capital needs. Sources told FE that the Insurance Bill, listed for consideration and passing in the ongoing Budget session, proposes a composite foreign investment ceiling of 49%.

This means the government even negated a compromise formula that came up during informal discussions between the government and the Opposition to carve out a 23% window for equity holding by foreign institutional investors or overseas corporate bodies, while retaining the FDI cap at 26%. Of course, it remains to be seen if the government would be able to get the Bill passed, given that the BJP is unconvinced about the need to raise the FDI cap in insurance. Finance ministry sources told FE that the composite cap of 49% foreign investment (including both FDI and FII components) was retained as the aim now is to get up to 49% FDI in the sector, which needs around $12 billion worth of capital by 2020.

"The sector, which is burdened with losses, urgently needs long-term capital for expansion and increasing penetration," an official said. "We cannot afford any provision restricting FDI to less than 49%, especially when the Indian companies are finding it difficult to raise capital," the official said.

The compromise formula was considered following opposition from members of the parliamentary standing committee on finance, including its chairman and BJP leader Yashwant Sinha, against any move to increase FDI in the sector from the present limit of 26%. In an interview to FE later, Sinha indicated his willingness to discuss the 26% FDI plus 23% FDI formula.

What has reaffirmed the government's conviction regarding its move to permit up to 49% FDI in the sector is the large number of representations it received from foreign investors and insurance companies requesting not to reduce the FDI limit from the proposed 49% in the Insurance Bill, the sources added.

These representations said lowering the FDI limit from 49% for a political compromise would complicate matters and adversely affect the ability of the sector to raise long-term foreign capital. The Insurance Regulatory and Development Authority also backed the move to allow 49% FDI.

Those who argue that FDI and FII should be separate have concerns over the possibility of a single foreign investor getting a 49% stake in an insurance company, and at the same time two or more Indian entities being in the minority by sharing the remaining 51%.

However, Gautam Mehra, executive director, PwC, said, "If you give a 49% stake to foreign investors, they will be more comfortable and will get serious long-term investments." Currently, even with 26% FDI, the foreign joint venture partners anyway have the ability to control the company through the power to appoint people to key positions such as the chief risk officer and the chief financial officer, he pointed out. The advantage of the composite foreign investment cap over separate boxes for FDI and FII is the flexibility the former offers.

According to Securities and Exchange Board of India regulations, each FII cannot hold more than 10% equity in a company and their sub-account cannot own over 5% stake in a company, which in turn forces the need to bring in multiple investors if any insurance company opts for the complicated option of a higher FII component. Mehra added that if the intention is to raise long-term capital, most Indian companies would prefer long-term foreign investment, which is FDI.

Source –
http://www.financialexpress.com/news/insurance-bill-retains-proposal-to-raise-fdi-cap-to-49-/1078438/0

RBI vs IRDA: Finmin to play peacemaker over broking licence for banks - The Economic Times

The finance ministry is attempting to resolve the differences between the banking and insurance sector regulators over allowing banks to become insurance brokers.

A broking licence will allow a bank to sell products of multiple insurance firms, compared with the current bancassurance model that allows lenders to sell products of just one insurance company.

Under existing insurance sector norms, a bank can become an insurance broker only if it is an entity under the jurisdiction of the Insurance Regulatory and Development authority (IRDA). In other words, a bank would have to float a subsidiary to get a broking licence. However, the RBI is not keen on banks taking up new risks. Besides, it sees possible conflict of interest in cases where a bank is a promoter of an insurance firm.

"We have asked the IRDA to revisit the banacssurance model and the government will facilitate to resolve any issues between the two regulators," a finance ministry official, who did not want to be named, said.

Data provided by the IRDA shows a growth in the number of policies sold through the bancassurance channel in the last few years. In 2011-12, about 2.2 million life policies were sold via banks compared with 1.9 million in the previous fiscal.

The non-life sector also witnessed a rise, with 7.1 million policies sold in 2011-12 compared with 6.5 million a year ago. In December, the RBI had mentioned that the existing regulations do not permit banks to become insurance brokers. "Further, some provisions of the exposure draft, if implemented, may expose the banks to reputational risks," it said in its financial stability report. The official quoted earlier said the RBI's concerns can be resolved and the government has already asked the IRDA to revisit its proposed guidelines on bancassurance.

"If banks become brokers, they will be representing the customer and will be bound to offer the customer a variety of products. The chance of mis-selling will be the same even if a bank is offering products of more than one insurer," the official added.

An insurance broker represents the insured and the broker's fee or commission is built into the insurance premium. The government also wants the IRDA to tweak its draft bancassurance norms, which propose to divide the country into three geographical zones and allow multiple tie ups between banks and insurance firms in up to 20 states.

Insurers are of the view that banks should only be allowed to act as brokers after stricter guidelines are in place, which they say is needed to protect the interests of insurance firms.

"The IRDA and the RBI can jointly come up with a framework where commissions are regulated and banks also share the responsibility of misselling," said a chief executive of a private sector insurance firm. Bankers, too, have apprehensions about lenders doubling up as brokers. "The concerns raised by RBI are valid. Brokers also need to take out a professional indemnity policy," said the executive director of a state-run bank.

Source –
http://articles.economictimes.indiatimes.com/2013-02-26/news/37309554_1_bancassurance-insurance-sector-multiple-tie-ups

IRDA Regulation

Irda panel for sub-brokers in insurance to push rural sales - Financial Chronicle

An Irda appointed panel on Thursday favoured the appointment of sub-brokers for selling insurance products so as to increase penetration in the rural and semi-urban markets.

Committee is of the opinion that it is the right time to introduce the sub broking system in India. This will enable the concept of broking to percolate down to smaller towns which will ultimately help the rural poor, final report on insurance sub broking said. The committee recommends allowing sub brokers to sell all the insurance products except reinsurance business, it said.

The report also noted that the aim of sub-broking is customer-centric giving the customer the opportunity to choose products from multiple insurers while augmenting insurance penetration. Drawing a parallel from the agency channel of distribution, it said, a sub-broker is an agent of the broker.

Besides, the 10-member committee also consider the qualification, examination and syllabus for players in the retail broking system. The committee recommends inclusions of all the important topics needed to discharge the duties of a sub broker are included in the syllabus.

It is suggested that a sub broker should also receive 20 hours of practical training from the main broker in addition to the mandatory training of 50 hours, it said.

Source –
http://www.mydigitalfc.com/insurance/irda-panel-sub-brokers-insurance-push-rural-sales-098

Life Insurance

Irda's new mortality table for life insurers may lower premium - The Financial Express

Insurance regulator Irda today released new mortality table for life insurance companies for fixing premium, which may lower payments towards new policies.

The table called Indian Assured Lives Mortality (2006-08) will be effective from April 1, Irda said in a circular. The mortality table indicates the rate of deaths occurring in a defined population during a selected time interval, or survival from birth to any given age.

According to sources, Irda's new table will lead to reduction in life insurance premium. The new table is an improvement over the existing table as it is based on the latest mortality and claim experience of different life insurance companies. The variation in mortality across regions and gender is incorporated in the latest table. The existing table is based on LIC's data alone for the period 1994-96.

There has been significant improvement in mortality rates across all ages, particularly in the young age, since 1996 and the new table will be useful for insurance companies in streamlining the pricing of policies based on latest data.

Source –
http://www.financialexpress.com/news/irdas-new-mortality-table-for-life-insurers-may-lower-premium/1077736

Insurance: More tax sops needed - The Hindu Business Line

In India, life insurance products are a popular savings vehicle as retirement savings. Unlike other developed countries, India's social security system is almost non-existent. In some States, wherever it is available, the scales of benefits are extremely modest, at best. Thus, life insurance plays a pivotal role in providing financial security.

The country's insurance penetration has been continuously falling - from 4.4 per cent in FY10 to 4.2 per cent in FY11 to 3.4 per cent in FY12 (Source: Swiss Re). Currently, life insurance premiums are tax deductible up to a limit of Rs 1 lakh along with a basket of other financial products, a mix of short to long-term instruments. Right now, an individual gets the deduction under Section 80C, which is limited to Rs 1 lakh a year for different investments or expenses incurred during a year. This limit for investments savings is quite low.

Therefore, the individual taxpayers limit should be raised to Rs 3 lakh a year. Another critical reason that is slowly becoming a big cause of concern is increasing longevity.

With better healthcare facilities available, there is a gradual rise in the percentage of the 'old' in the country. But preference towards investments in pension products is lacking as no specific tax benefit is available. If a separate limit of Rs 100,000 is created under 80CCC for retirement savings, then it can strengthen people's interest in pension products. Tax on annuities should be abolished as most annuities are taken post retiremen.

Life insurance offers a product suite – term products, ULIPs and traditional products - that caters to various life stage needs. To give the 80C/10(10D) tax benefit to the customer, insurers will need to restructure products where the sum assured is at least 10 times the premium paid. This seems to be restrictive.

As a person grows older the need for investment is higher than insurance. So a very high sum assured for an older person would mean there would be an impact on returns.

Hence, the tenure of the policy should be a minimum of 10 years for getting 80C/10(10D) tax benefits instead of premium paying term. Tax should ideally be levied on generation of income and not on deposit, as in case of banking industry. The relevance of life insurance for Indian consumers is highlighted by various research that shows Indians are significantly under-insured and financially vulnerable.

It is proved that economic growth and insurance development are interdependent and that a world without insurance would be much less developed and much less stable.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/insurance-more-tax-sops-needed/article4443617.ece?ref=wl_industry-and-economy

Budget 2013: More clarity needed on tax concession, says P Nandagopal, IndiaFirst Life Insurance - The Economic Times

More clarity on tax and concessions is needed in the budget, said IndiaFirst Life Insurance CEO.

Speaking about his pre-budget expectation, Nandagopal CEO & MD IndiaFirst Life Insurance, said, "We do expect tax clarity and concessions from the budget. This includesservice tax levied on various components on services/ various types of services offered including fund management charges, policy administration charges and mortality charges. This also includes the service tax levied on distributors. These are a little onerous and there is scope for making them liberal Overall, tax at a customer level, distributor level and manufacturer level should be liberal for the industry to promote long term savings, he added.

The government should also look at special tax concessions for long term saving instruments. These should not be clubbed with the existing tax limits. This will help promote a habit of systematic and consistent long term savings which is the need of the hour - both from an end consumer level as well as from an economic level.

Source –
http://articles.economictimes.indiatimes.com/2013-02-22/news/37242173_1_tax-concession-indiafirst-life-insurance-service-tax

No need to ban high-NAV products: Insurers - Business Standard

The Insurance Regulatory and Development Authority (Irda), under former chairman J Hari Narayan, had decided to ban highest net asset value (NAV)-guaranteed products. Life insurers, however, feel Irda should have curbed mis-selling in this segment, rather than ban such products.

Industry sources said the final norms related to these were unlikely to be passed soon. Highest NAV-guaranteed products are a type of unit-linked plans (Ulips) that promise to pay the highest value the fund records during a certain period of the term (five to seven years). For this, insurers have to invest aggressively in stocks, something that may lead to undue risks. The controversy surrounding these products surfaced in September 2010, when Irda indicated its discomfort on the grounds of "systemic risks" associated with the way such funds were managed. It felt such products emphasised on debt instruments and had a risk of heavy sell-off in equities, in case of a fall in the stock market.

The products, per se, do not have any fundamental problem. The problem is it these have a tendency to be mis-sold, since the customer does not understand market fluctuations could be risky. Hence, disclosures should be made clearer, rather than banning the product, said the chief executive of a private life insurer.

Industry sources said with a new chairman at Irda, some revisions might be expected. A lot of administrative procedures are yet to be completed before this product is banned. We do not expect the regulations soon, said the managing director of a large life insurer. He added the companys customers had an appetite for highest-NAV products and it continued to sell these.

Of the complaints registered with the Ombudsman office, most pertain to the life insurance sector. Sources in the office said till last year, about 62 per cent of the complaints were from the non-life sector. In the life insurance sector, Ulips accounted for most complaints, with issues related to high-NAV products topping the list. Industry sources said this was because the returns promised might not be achieved, owing to adverse stock market performance.

Some insurers have a traditional view. V Viswanand, director and head (product and persistency management), Max Life Insurance, said, Max Life Insurance does not have any highest-NAV product in its portfolio. We have always believed these products are neither good for the customer, as there is a significant possibility of mis-buying this product, nor for the economy, as these may expose the stock market to systemic challenges in the form of markets spiralling down when all fund managers start dumping equities in favour of bonds to prevent their losses.

Earlier, Hari Narayan had told Business Standard such products weren't helpful for customers and, therefore, all approvals for these products had been stopped. He added Irda was bringing out regulations for curbing the sale of high-NAV products and these norms would soon be published in a gazette.

Source –
http://www.business-standard.com/article/finance/no-need-to-ban-high-nav-products-insurers-113022300345_1.html

Demand for separate tax exemption limit for life insurance - The Hindu Business Line

Carving out separate tax exemption limits for insurance premiums paid and the passage of a key law to raise foreign shareholding in insurance companies are among the demands the life insurance industry has placed with the Finance Ministry. Currently, life insurance premium paid can be deducted from the gross total income under section 80C for calculating income tax liability.

However, along with insurance premiums, investments in banks' tax saving deposits, public provident fund, national savings certificates, infrastructure bonds, equity-linked savings schemes and home loan principal repayment are all included within the Rs 1 lakh tax exemption limit. Hence, the need for carving out a separate tax-exemption limit for insurance.

"We would like the Budget to offer a separate deduction for long-term insurance products or a carved out limit for insurance only, under this section," said Sandeep Ghosh, MD & CEO, Bharti AXA Life Insurance.

In last year's Budget, it was mandated that for life insurance policies the sum assured would have to be ten times the premium for tax benefits to be applicable.

"This is a distortion as compared to competing products such as bank deposits and mutual funds where the deduction is based on tenure of the product. Also it is detrimental for older people seeking life cover as it impacts their premium adversely. We have requested the Finance Minister to apply the same criteria to insurance products to enable it to attract long-term saving," said T.R. Ramachandran, CEO and MD, Aviva India.

Sunil Sharma, Chief Actuary at Kotak Mahindra Old Mutual Life Insurance, said that in order to promote long-term savings for retirement, pension contribution from individuals should have a separate exemption limit of about Rs 50,000 a year.

FDI IN INSURANCE
The pending Insurance Amendment Bill seeks to raise the foreign direct investment (FDI) cap in private sector insurance companies to 49 per cent from the current 26 per cent.

"The increase in FDI will give the Indian insurance industry the necessary capital infusion for its development and expansion. Delay in enabling this has clouded further investments in the sector. We are hoping that all political parties will look at the FDI limit in an overall perspective and encourage the growth of the insurance industry in the country," said Ramachandran.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/demand-for-separate-tax-exemption-limit-for-life-insurance/article4449352.ece?ref=wl_industry-and-economy

Health Insurance

Budget to raise RSBY & skill council spend - The Financial Express

With the general elections due next year, the UPA is all set to increase the allocation for some workers' welfare schemes like the Rashtriya Swasthya Bima Yojana (RSBY) and skill development programme to woo the working class hit by high inflation and job uncertainty.

Labour minister Mallikarjun Kharge told FE that his ministry has sought higher allocation for RSBY and skill development in 2013-14, but refused to provide details. Sources said the spend for RSBY could be close to R1,500 crore in FY14 against the R1,100 crore (Budget estimate) in FY13.

The finance ministry is also likely to agree on R1,000-crore capital infusion in National Skill Development Council, the same level as this year. Also, tax breaks by way of 150% weighted deduction on expenditure on skill development by manufacturers and exemption from service tax for vocational training institutions may be extended to FY14.

While containing the fiscal deficit remains the priority, the UPA constituents have advised the finance ministry to raise allocation on welfare schemes like NREGS and RSBY, which can benefit the economically weaker sections. Like the farmers' debt-waiver scheme of 2008, welfare schemes like NREGA, food security and RSBY are being touted to be vote-winners in the upcoming Lok Sabha election.

"We are also trying to offer RSBY to workers who have worked for even 15 days under the NREGA scheme during 2012-13 against the mandated 100 days. This would necessitate R400 crore. The finance ministry has assured us that RSBY will get more funds (over and above the Budget allocation) if required," a labour ministry official said.

The government has enrolled over 34 million poor people under RSBY since its inception in April 2008. One of the successful public-private partnership projects to offer health insurance to the poor, RSBY has already won accolades from global agencies, including the International Labour Organisation.

More than 4.8 million people have availed treatment under the scheme. With the government subsidising the premium, RSBY has been a runaway success for the economically weaker section of the society and a major business proposition for private insurers. Industry experts say the government has to step up allocation so that the programme is taken to more people.

"About 70% of Indians, especially the poor, are indebted due to health ailments and the related medical expenses. Hence, there is scope for spreading the coverage of RSBY to more people, including those living in cities. Although the enrollment under RSBY was high in the past few years, the utilisation of health insurance has been low," said Poorest Areas Civil Society (PACS) director Rajan Khosla. PACS, a nongovernment organisation, receives support from UK's DfID for helping the poor in availing social schemes.

Source –
http://www.financialexpress.com/news/budget-to-raise-rsby-amp-skill-council-spend/1077991/0

Irda issues norms to bring clarity in health insurance - Business Standard

In a bid to remove confusion and bring better clarity on various terms used in health insurance, the Insurance Regulatory and Development Authority (Irda) has issued guidelines for standardisation of these. In an elaborate circular addressed to life insurers, non-life insurers, stand-alone health insurances and third party administrators (TPAs), Irda has defined 46 commonly used terms and standardised 11 critical illness terms.

"Standard terms would reduce ambiguity, enable all stakeholders to provide better services and enable customers to interact more effectively with insurers, TPAs and providers. All insurers shall adhere to the stipulated definitions, while defining these 46 core terms in all health insurance policies,&" said the Irda circular.

To resolve the differences in the definitions of critical illnesses adopted by various insurers, 11 critical illness terms have also been standardised. From now on, all products offering the 11 critical illness coverage shall ensure that they are in line with the stipulated definitions. Irda has called for standard pre-authorisation and claim form to streamline processes at all stages. This will enhance the ability of providers to obtain timely prior authorisation.

The regulator has also brought out a standard list of 199 excluded items in hospitalisation indemnity policies. "However, insurers may include these exclusions, if the product design allows for, or if the insurer wants to include these as part of hospitalisation expenses,&" said the circular.
In order to capture relevant product design information, Irda has asked insurers to use a standard file and use (F & U) application form along with the database sheet and customer information sheet. The guidelines will be effective from July 1, 2013 for group products and October 1, 2013 for other products.

Source –
http://wap.business-standard.com/wapnew/storypage1.php?id=4&autono=113022100757

Budget 2013: FICCI demands increased public spending on healthcare - The Economic Times

Apex industry body, Federation of Indian Chambers of Commerce and Industry (FICCI) has asked that government to take steps to increase public spending on healthcare in budget 2013. The proposal by the Planning Commission to increase the spending to 2.5-3% of gross domestic product (GDP) over the 12th five year plan is the need of the hour and should be implemented on priority, FICCIsaid.

Concessional land and use of public healthcare facilities for private medical colleges in focus states is among other recommendations given by FICCI. FICCI said that private sector participation should be encouraged in promoting preventive and primary care with appropriate tax incentives to primary health care chains operating beyond Tier 2 towns. Also a PPP model for private sector participation in screening and detection programs of the government should be considered.

In addition, there is a pressing need to increase the safety net of health insurance in India, FICCI noted. One measure that could help is withdrawal of service tax on health insurance premiums, thereby leading to a lowering of cost/premium for the consumer. Healthcare services are already exempt from service tax, and this benefit should be extended to health insurance premiums.

Source –
http://economictimes.indiatimes.com/news/news-by-industry/healthcare/biotech/healthcare/budget-2013-ficci-demands-increased-public-spending-on-healthcare/articleshow/18643765.cms

Definition of 46 health insurance terms standardized - The Hindu Business Line

Insurance Regulatory and Development Authority has issued guidelines that standardise terms in health insurance policies. This is to bring about clarity and enable insurance companies to provide better service to policyholders.

The comprehensive guidelines have standardised definitions of 46 terms that are commonly used in health insurance policies and 11 critical illness terms to bring uniformity in sales, claims and settlement processes of insurers. These critical illnesses include cancer, first heart attack, open-heart valve surgery, coma, kidney failure, stroke, major organ transplant, paralysis of limbs and multiple sclerosis.

"Standard terms would reduce ambiguity, enable all stakeholders to provide better services and enable customers to interact more effectively with insurers and third party administrators. All insurers shall adhere to the stipulated definitions, while defining these 46 core terms in all health insurance policies," said IRDA in a circular.

The insurance regulator also put out a standard list of 199 excluded items in hospitalisation indemnity policies. "However, insurers may include these exclusions, if the product design allows for, or if the insurer wants to include these as part of hospitalisation expenses," said the circular. The guidelines will be effective from July 1, 2013, for group products and October 1, 2013, for other products.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/definition-of-46-health-insurance-terms-standardised/article4449365.ece

General Insurance

Repayment of car loan to be must to sell vehicle - The Economic Times

Soon, it would be impossible for anyone to sell off a vehicle without 100% repayment of the bank loan.

Banks will get access to the central database of all registered vehicles, having details of owners and their loan status. National Informatics Centre, which has established the database, Vahan, will give special access to banks and insurance companies to get specific information directly.

Though at present, all security agencies and courts have got access to the unified database of all vehicles (Vahan) and drivers (Sarthi), banks and insurance companies have to pay a nominal fee. However, they would be allowed to access limited information unlike security agencies. "We have already worked out a policy and how much they need to pay.

It would be finalized soon," said a senior road transport and highways ministry official.

Sources said that the government and NIC have put the plan in place after they were approached by Indian Banks Association and Insurance Regulatory and Development Authority. Banks face the risk of losing out if a car owner sells off his vehicle to another person without paying the entire outstanding amount. Vehicles are taken as security by banks while providing the loan. In case of default in payments, banks take back the vehicle and sells it off. Many cases land in courts after the vehicle owner stops paying the loan.

Source –
http://articles.economictimes.indiatimes.com/2013-02-24/personal-finance/37270207_1_bank-loan-banks-face-banks-and-insurance

Reinsurance

PSU Insurers to Cover MRPL's Iran Business
Global reinsurers have stopped covering Iranian business of oil cos due to US, EU sanctions - The Economic Times (Mumbai edition)

General Insurance Corporation of India and four other state-run general insurers have come together to reinsure the Iranian business of Mangalore Refinery Petroleum (MRPL). Global reinsurance firms had denied MRPL cover citing US and European Union sanctions against the Islamic State.

The sanctions, in place since last July, prohibit global entities such as Lloyds of London from providing insurance and guarantees for transportation of oil from Iran. Most Indian tankers have for long been taking protection and indemnity cover, worth over. 250 crore, from companies in London for transporting oil from Iran.

"Like with Chennai refinery, we have decided to reinsure Mangalore Refinery Petroleum for a limited loss limit. GIC and the four insurance companies have decided to provide reinsurance up to . 150 crore to MRPL," said G Srinivasan, chairman, New India Assurance.

MRPL wanted a cover for single-buoy mooring on Iranian crude, as Indian insurers do not have the capacity to cover the entire policy. Single-buoy mooring is a loading buoy anchored offshore, which serves as a mooring point and interconnect for tankers loading or offloading gas or liquid products. After the request from MRPL, GIC told the General Insurance Council, a representative body of general insurers, that businesses done with Iran are not insured with global reinsurers.

Following this, New India Assurance, United India, National Insurance, Oriental Insurance and GIC came together and worked out a solution, which has been communicated to the Mangalore Refinery.

Other refineries like HPCL, Essar and BPCL also import crude from Iran. But these companies had their cover in place before the sanctions took effect.

Trade Amid Sanctions
• The sanctions, in place since last July, prohibit global entities from providing insurance and guarantees for transportation of oil from Iran

• Other refineries like HPCL, Essar and BPCL, which also import crude from Iran. had their cover in place before the sanctions took effect

Source –
http://epaper.timesofindia.com/Default/Scripting/ArticleWin.asp?From=Archive&Source=Page&Skin=ETNEW&BaseHref=ETM/2013/02/22&PageLabel=8&EntityId=Ar00803&ViewMode=HTML

Survey & Reports

More low-cost products can raise insurance penetration - Financial Chronicle

Lack of product offering and high cost of providing insurance cover needs to be addressed to make the insurance sector an attractive means of channeling savings to investments.

As per the economic survey, despite increase in private players in the insurance sector, Indian insurance business remained underdeveloped with low levels of penetration, compared with other developing countries.

"There is lot of scope for price revision in traditional policies to provide adequate life cover, while it has already happened to a large extent in market-linked policies," said P Nandagopal, managing director and chief executive officer of IndiaFirst Life Insurance.

Insurance penetration increased to 4.1 per cent (life 3.4 and non-life 0.7) in 2011 from 2.7 (life 2.15 and non-life 0.56) in 2001.

Moreover, insurance and pension funds have so far played a comparatively limited role in financing infrastructure projects. These funds generally offer long-term and low-cost debt to improve credit condition.

"We have seen domestic savings being diverted to unproductive assets like gold. As an industry we have the responsibility to channel investment towards progressive goals and government can help by introducing supportive fiscal policy," added Nandagopal.

During 2011-12, the life insurance sector witnessed a decline of 9.85 per cent over the previous year, while non-life segment registered a growth of 24.19 per cent during the same period.

New business premium collected by 24 life insurers stood at Rs 1,13,942 crore during 2011-12, against Rs 1,26,398 crore in the year-ago period. Of the total new business premium, Life Insurance Corporation of India (LIC) alone collected 71.85 per cent, while private players managed to mop up remaining 28.15 per cent premium.

In the non-life segment, private insurers earned premium income of Rs 22,315 crore in 2011-12, against Rs 17,424 crore in the year before. Consequently their market share stood at 42.2 per cent. Public sector insurers collected premium of Rs

30,560 crore in 2011-12, against Rs 25,151.8 crore in the previous year, thereby, taking their market share to 57.8 per cent.

Source –
http://www.mydigitalfc.com/insurance/more-low-cost-products-can-raise-insurance-penetration-534

Insurance Web sites offer poor user experience: Report - The Hindu Business Line

Only 15 per cent of Web sites offered life insurance policies that customers need, says a report by Kern Communications.
In the first-ever syndicated user experience research report about buying life insurance online, Kern, a global user experience company, benchmarked the user experience of 33 prominent life insurance companies, general insurance companies, and banks that offer insurance services in India.

According to the report, only five of the 33 Web sites offering insurance products online give the right policy suiting the financial and other requirements of subscribers.

The User Experience Index, prepared on a scale of 100, revealed that the best site could manage 53 points. "There is huge scope for improvement in every aspect of user experience about the life insurance Web sites. The report finds user experience hurdles and suggests solutions for better customer engagement leading to more online conversions," said Ripul Kumar, founder and CEO of Kern.

"Everyone needs to invest in improving all touch-points with the customer online. This includes educating the customer, helping them find the required information in line with the customer's need, and enabling users to complete monetary transactions and checking the status of their transactions in a user-friendly way," Kumar added.

Source –
http://www.thehindubusinessline.com/industry-and-economy/banking/insurance-web-sites-offer-poor-user-experience-report/article4458166.ece

70% insurance customers' loyalty at risk as retention challenges escalate: Report

With an average of only 30% of customers globally reporting having positive customer experiences with their insurers, insurers will need to address multi-distribution and customer experience, concludes the sixth annual World Insurance Report 2013 (WIR 2013) released today by Capgemini and Efma. The report also finds that mobile and social media channels are gaining traction with insurers in terms of early adoption rates. These distribution channels can help insurers provide better customer experiences as well as capture operational efficiencies.

The WIR 2013 is based on 16,500 customer surveys, research data from 41 markets, and interviews with 114 insurance executives. According to the WIR 2013, the insurance industry's focus is shifting from pure cost reduction and operational efficiency initiatives to revenue building and brand loyalty strategies while lowering mounting customer acquisition costs.

Heavy emphasis is on multi-channel distribution strategies with keen interest on how to leverage lower-cost sales channels like mobile, internet, and social media. Mobile and social media are a priority for more than 50% of insurers surveyed globally over the next two years. Incidentally, customer experience reflects the entire customer lifecycle while customer satisfaction is just a one-time measure of how products and services meet or surpass customer expectations.

On average, the WIR finds that approximately only one in three customers across 30 countries studied in the report's new Customer Experience Index (CEI) had a positive experience with their insurance company, while 62 percent registered positive customer satisfaction levels. Additionally, the WIR finds that nearly two out of three customers are at risk of retention with only a neutral and/or negative customer experience.

"When customers have neutral or negative experiences with an insurer, opportunities are created for insurers to 'court' other carrier's customers, and customers may switch even for minimal extra benefits,"says Jean Lassignardie, chief sales and marketing officer, Capgemini Global Financial Services ."Even in the US, the country with the highest customer experience ratings, insurers still face a risk of retention rate of 50 percent meaning no one is immune."

A majority of insurers are viewing mobile as an important access point for supporting the overall customer experience (especially in areas like quotes, claims, and relationship management) rather than just as an additional sales channel.

And while insurance customers prefer online for activities like finding best price and comparing policy coverage, they still prefer physical distribution networks (agents and brokers) when it comes to gaining brand trust. The top five reasons for insurers to invest in the mobile channel are: anytime/anywhere/any device demands; keeping up with the competition; customer service costs; increased smart phone adoption; and cross-selling/up-selling opportunities.

The report explores four key mobile focus areas from insurers categorized as: 'early winners and must haves' (areas with high ROI potential) to evolving areas such as 'must watch' and 'wait and see.' Among insurers surveyed, the leading mobile services offered today and those with high ROI potential over the next two years include: product information via mobile (43% today/91% by 2015), claims services (16% today/73% by 2015), quotes (23% today/70% by 2015), Straight through Processing (9% today/55% by 2015), and policy changes (9% today/52% by 2015).

Source –
http://timesofindia.indiatimes.com/business/india-business/70-insurance-customers-loyalty-at-risk-as-retention-challenges-escalate-Report/articleshow/18713246.cms

Global News

China

China to push compulsory insurance for polluting industries

The government will push heavily polluting industries to participate in a compulsory insurance programme to ensure they can adequately provide compensation for damage, said the Environment Ministry and CIRC in a joint statement.

Companies targeted for the compulsory scheme include those from the mining and smelting industries, lead battery manufacturers, leather goods firms and chemical factories, the statement says. Petrochemical companies and firms that make hazardous chemicals and hazardous waste would also be encouraged to participate.

Under the scheme, special environmental protection funds would be allocated to companies taking out the insurance, and they would be given priority for bank lending, says the statement. Companies that do not comply may face negative environmental impact assessments and credit downgrades, which could hamper their development.

A pilot insurance programme currently covers more than 2,000 companies across a dozen provinces and had underwritten some CNY20 billion (US$3.21 billion) in risk, reports Reuters, citing government departments. "Using the tool of insurance ... is conducive towards pushing companies to raise their environmental risk management and reduce incidents of polluting accidents," the statement adds.

Source –
http://www.asiainsurancereview.com/News/View-NewsLetter-Article/id/27060/type/eDaily/China-to-push-compulsory-insurance-for-polluting-industries

CIRC allows insurers to go into asset management business

Insurance holding companies, insurers and insurance asset management companies in China with stronger risk-bearing capabilities will be allowed to operate asset management businesses effective February 2013, says the CIRC. Companies are now able to issue investment products with total initial amounts of not less than CNY30 million (US$4.77 million) to a single investor.

They can also issue consolidated investment products to groups of not more than 200 investors, with total initial amount to each investor of not less than CNY1 million, says the CIRC.Investment products are limited to bank deposits, stocks, bonds, equity investment funds, Central Bank bills, non-financial corporate debt financing instruments and asset-backed securities, in addition to infrastructure investment projects, real-estate investment projects and other regulator-approved assets.

"The move is favourable to enrich the investment tools of insurance capital, motivating the connection and interaction between the insurance market and the capital market," says the regulator.

The notice clarifies the qualifications of companies that can operate asset management businesses, the type of products that can be issued, the scope of investors and the audit procedures for issuing products.

Insurance asset management companies are allowed to market the products on their own or entrust the marketing to other companies, but they are not permitted to publicly promote the products through the Internet, television broadcasts and other publications.

Beijing-based PICC Asset Management Co, Taikang Asset Management Co and Shanghai-based Taiping Asset Management Co are applying to issue five investment products covering shares, bonds and funds, said the CIRC.

China reported total insurance investments of CNY4.5 trillion and total assets of CNY7.4 trillion in 2012, says the CIRC.

Source –
http://www.asiainsurancereview.com/News/View-NewsLetter-Article/id/27047/type/eDaily/China-CIRC-allows-insurers-to-go-into-asset-management-business

Middle East

African countries may look to sukuk for growth - S&P

An increasing number of African countries are considering issuing sukuk to fund their huge infrastructure needs and diversify their investor base, Standard and Poor's (S&P) said in a report last week.

South Africa, Nigeria, Senegal, and Mauritania have all announced in recent years their intention to issue sukuk.

The report said that the Arab Spring and the rising influence of Islamist parties in some countries have put the development of Islamic finance on their governments' agendas. Egypt for example, has recently presented a law allowing sovereign sukuk issuance, which would help to finance the country's high fiscal deficits and also provide funding for the current account deficit, while Tunisia's 2013 budget law expects to finance its fiscal deficit partly by sukuk issuance, said the ratings company.

"We believe that sukuk issued by African sovereigns could address an investor base in the Gulf Cooperation Council, or GCC, countries or at the Islamic Development Bank, which may be looking for Shariah-compliant investment opportunities," said S&P Credit Analyst Christian Esters. Countries in the GCC generally benefit from strong current account surpluses, which S&P said could make them potential investors in sukuk issued in other regions.

The African Development Bank estimates that the cost of addressing Africa's growing infrastructure needs is around US$90 billion annually. Growth in the continent is expected to remain supported by infrastructure spending, the development of mineral resources, and growing consumer spending.

Source –
http://www.asiainsurancereview.com/News/View-NewsLetter-Article/id/27083/type/Takaful/African-countries-may-look-to-sukuk-for-growth-S-P