भारतीय बीमा संस्थान
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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

"Social change is better achieved by being for something than against something."

Helene Gayle, CEO

INSIDE THE ISSUE

Insurance Industry

Panel set up on risk-based capital norms in insurance - Business Standard – 14th June 2016

Norms on risk-based capital in insurance are expected to take more time to be implemented. The regulator has set up a committee on an approach to this and on and liability valuation.

In 2013, the Insurance Regulatory and Development Authority of India (Irdai) had proposed a lower solvency margin for insurers, at 145 per cent against 150 per cent currently, including a risk charge. Earlier, in a proposal on a risk-based solvency approach, the regulator had constituted a committee to suggest a roadmap to move to Solvency-II norms.

Solvency-II is a European Union (EU) legislative programme, to be implemented in all 28 member-states. These are to insurers what Basel-III norms are to banks and introduces a harmonised and EU-wide insurance regulatory regime. The objective is uniform policyholder protection across countries. Insurance executives say India is not ready from an accounting perspective for these new norms. At present, India uses factor-based processes to arrive at the solvency margin.

These new norms are made up of provisions related to the capital requirements of companies, regulatory assessment of a specific firm's risk and the regulator's broader supervision of the entire market. Solvency-II has not yet come into force in the EU. Discussion is on regarding whether these should be implemented in many of the EU markets and the transition phase to be followed. Only after clarity emerges would the issue begin of enforcement in India.

The committee set up by Irdai will look into the pros and cons of the current solvency regime and a risk-based capital one. It will also review the recommendations on risk-based of a committee chaired by P A Balasubramanyam, and recommend a suitable approach. It will recommend a broad time-frame for completion of the exercise.

Some early steps have already been taken by the regulator. For instance, in some business segments, it has already been proposed that risk-based pricingl be followed. Irdai has asked insurers to maintain higher solvency for segments like health and motor where incurred claims are high. The regulator has since come up with norms for maintaining of solvency ratio by insurance companies based on the line of business. For segments like health, motor and liability, the insurer would be required to maintain a higher solvency ratio.

The Available Solvency Margin (ASM) is calculated as the excess of value of assets over liabilities. Solvency Ratio means the ratio of the amount of ASM to the amount of Required Solvency Margin. The higher the ratio, the more financially sound a company is considered. The required ratio is 150 per cent, a minimum to be maintained.

Source

Back

Mixed response to IRDA proposal for online insurance products - The Hindu Business Line – 12th June 2016

All stakeholders are not on the same page in terms of response to the recently proposed guidelines by the Insurance Regulatory and Development Authority of India (IRDA) on selling and servicing of non-life insurance policies through e-commerce platforms. National Insurance Company CMD K Sanath Kumar said even though the new guidelines bring in regulatory clarity, it has a truncated focus on prices and not on services.

The new guidelines allow insurance intermediates to provide aggregated advisory services and insurance products through online platforms. Kumar said the servicing of insurance policies, particularly settlements, should also be a critical factor in deciding on a policy. “We will give our input to the IRDA on the issue,” he said. Financial market intermediary Bajaj Capital, however, was enthusiastic about the new guidelines. Anil Chopra, Group CEO and Director, Bajaj Capital, said his company was creating an online platform and a mobile application at a cost of around Rs. 3 crore.

“The insurance module of the platform and the app would be ready by October,” he said.

He said the guidelines have done away with any kind of physical intervention for a transaction. “A one-time password makes it strictly digital.” Earlier this month, the IRDAI had invited comments on the draft guidelines on selling and servicing insurance policies through e-commerce platforms, before notifying the final regulation.

Accessibility

“This will go a long way in penetration of insurance products. It is a great effort and will induce a lot of benefits in terms of accessibility of products for customers of smaller towns, who are not encouraged by agents and advisors due to lack of adequate remuneration for them,” Chopra added.

Chopra said the country’s total number of non-life issued polices was just 12.5 crore and the coverage of population was low as this number included multiple policies by a single person.

Source

IRDAI has also relaxed norms for aggregators who also run online insurance sales channels and has allowed them to issue polices with an assured sum of up to Rs. 1.5 lakh, from the current Rs. 50,000.

Back

Industry lauds insurance e-commerce draft policy - Business Standard – 11th June 2016

Insurance companies are enthusiastic about the proposed guidelines on selling and servicing of policies through e-commerce platform that aims to do away completely with any kind of physical intervention. The Insurance Regulatory and Development Authority of India (IRDAI) has come out with the exposure draft on selling and servicing insurance policies through e-commerce platform for comments before final regulation is notified.

Source

A number of insurance companies are now examining the e-commerce selling and servicing front.

Back

India: Panel to study risk-based capital rules for insurers – Asia Insurance Review

The Indian insurance regulator has set up a committee to study the approach to adopt towards risk-based capital and liability valuation, as industry executives say that insurers in the country are unprepared from an accounting perspective for such new rules.

The committee formed by IRDAI will look into the pros and cons of the current solvency regime and a risk-based capital system. It will also recommend a broad time frame for the implementation of any new rules, reported Business Standard.

At present, India uses factor-based processes to arrive at the solvency margin. In contrast, risk-based capital standards are based on provisions related to the capital requirements of insurance companies, regulatory assessment of a specific firm’s risk and the regulator’s broader supervision of the entire market.

Some early steps have already been taken by the regulator. For instance, in some business segments, it has already been proposed that risk-based principles be followed. IRDAI has introduced rules that spell out solvency ratios based on line of business. For segments like health, motor and liability, the insurer would be required to maintain higher solvency ratios.

Source

Earlier, IRDAI had constituted a committee to suggest a roadmap to move to the EU's Solvency-II norms which have yet come into force. There are ongoing discussions on Solvency-II in many of the EU markets.

IRDAI Regulation

Minimum shareholding of promoters in insurance venture to be 50% at all times: IRDAI draft - Business Standard – 16th June 2016

The Insurance Regulatory and Development Authority of India (Irdai) in its draft guidelines (feedback is invited till June 22) for listed insurance companies has proposed that the minimum shareholding by promoters or promoter group be maintained at 50 per cent of the paid-up equity capital of the insurer at all times. Where the present holding is below 50 per cent, that shall be the minimum. These are proposed to apply for all insurers which have listed their equity shares or are in the process of doing so. These guidelines, said Irdai, would be in addition to and not in derogation of any other law in force.

The regulator proposes that ownership limits for all shareholders, other than promoters or promoter group, be based on categorisation under two broad categories, natural persons (individuals) and legal persons (entities/institutions).

A subsidiary company may invest in a listed insurance company if it complies with all the provisions applicable for such an investment under applicable laws. These guidelines to also apply to an insurance intermediary licensed by Irdai, provided the latter draw more than 50 per cent of revenue from the insurance business.

On transfer of shares, every person who intends to make any transfer of one per cent or more but less than five per cent of the paid-up equity share capital of the insurer concerned can do so, subject to criteria compliance.

Source

However, every person who intends to make an acquisition likely to take the aggregate holding to five per cent or more of the paid-up equity share capital must take prior Irdai approval.

Back

IRDAI e-commerce draft aimed at financial inclusion – The Times of India – 13th June 2016

The Insurance Regulatory Authority of India's (IRDAI) proposal to open an insurance self-network platform for e-commerce activities aimed at financial inclusion of the underprivileged sections in society and increasing insurance penetration in India.

"Mobile internet usage in rural areas has gone up significantly in the last two years. We are particularly heartened by the response to the Pradhan Mantri Suraksha Bima Yojana scheme. It was a brilliantly conceived idea for the premium collection of 12. We also hope to increase insurance penetration in untouched pockets of India with the e-commerce initiative," said an IRDA official.

Life insurance penetration in India has dropped year-over-year; general insurance growth has also been patchy, so we are taking a multi-pronged approach to reach people using every forum, he added. The IRDAI has also proposed that websites of insurance agents — will also be treated as websites of insurance companies. And insurance companies will held responsible to ensure they are complaint with regulatory norms. "There are too many instances of agents mis-selling or over-stating a policy's benefits, this will help curb that trend," said the IRDA official.

The new platform is expected to ease entry for distributors to get onto digital platforms and companies can benefit by creating a large network of digital touch points, building more transparency and reach for distribution. "This also means that insurance companies will have to be ready to undertake multiple integrations in a short span of time. Many insurance companies will need to invest in solutions which clearly allow on-the-go integrations (simple APIs) for partners. Hence this platform would require a technology partner or in-house tech capability, which is not a known strength for traditional distributors," said M Ravichandran, president-insurance, Tata AIG General Insurance Co.

The IRDAI has proposed that the insurance self-network platform could be made available as regular internet web-site or as a mobile app or both. "From a customer's point of view, it could prove tedious as they will have to compulsorily have an e-insurance account to buy insurance through this channel. Overall, if companies are able to execute this process appropriately and invest in acquisition efforts, this platform will give companies a huge edge over the competition in the long run," added Tata AIG's Ravichandran.

There will be more visibility to customers and differential pricing is a definite possibility, said Sharad Mathur, SVP & national head- agency, digital & alternate channels, SBI General Insurance Co. "Financial inclusion has become a watchword with the regulator. Insurance companies have offices in tier-1, tier-2 and sometimes even in tier-3 cities. But what about beyond? Many of the government social welfare initiatives are aimed at the poorer sections of society and e-commerce alternatives will definitely help," added SBI's Mathur.

IRDAI also proposes to have a pro-active fraud detection policy for the insurance self-network platform. Credit rating agency Experian's product Hunter has currently tied-up with many of the life insurance companies in India for active fraud detection. Some companies have their own internal fraud check mechanism in place.

Source

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India: Regulator to study introduction of title insurance – Asia Insurance Review

India's insurance regulator has proposed title insurance, a new product aimed at providing cover to property owners in case of defective property titles and related issues.

IRDAI said that it would form a seven-member working group to study the scope of title insurance in the Indian market, reported the Press Trust of India. IRDAI's Senior Joint Director Suresh Mathur has been appointed Chairman of the group and is expected to submit a report in two months.

The group will study the need and scope for such a product in the domestic market, compared to existing practices in the international market, and identify the insurable risk and define the compensation structure. It has also been asked to suggest the design of the product , the framework for assessment of risk, pricing, reserving and accounting with actuarial inputs, keeping in mind the long-term sustainability of the product on a standalone basis.

The terms of reference for the panel also seek policy wordings in line with Indian conditions, both from content and from legal perspective, and suggesting the mechanism for policy servicing and ascertaining the availability of reinsurance support in the domestic and international markets.

Other tasks assigned to the panel include assessing the availability and accessibility of local revenue records, ascertaining the status of digitisation of land records in various states and availability of legal expertise to support the underwriting and claims management efforts of insurers.

Source

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Life Insurance

Counter Point - ULIP in India: A Good Concept Hit by Mis-selling – The Economic Times (Delhi) – 16th June 2016

Unit Linked Insurance Plan (ULIP) is one of the most abused financial products in India now. However, ULIP, where you get the insurance and investment together, was not a bad word earlier.

Unit Trust of India (UTI) launched the first ULIP in India in 1971. Second ULIP came from LIC Mutual Fund in 1989, ie after the MF industry was opened for PSU entities. Both were well managed schemes and I have not came across any investor complaining about them.

ULIP, as a concept, is a major improvement on `traditional or endowment plans' from insurance companies. This is because the endowment plans are totally opaque. As an investor, you have no idea how much of your premium goes for insurance cover or investment, where the money is invested, how much is the return generated, etc. Though insurance companies declare some `annual bonus' in the middle, it is also useless because investors' can't withdraw these bonuses till maturity.

The main advantage of ULIP, on the other hand, is its transparency. All expenses are clearly stated upfront here. These expenses are policy allocation charges, policy admin charges, switching charges, redemption charges, fund management charges, mortality charges, etc. While the fund management charge is considered while computing NAVs, other expenses are taken care of by deducting the number of units you hold. Due to this, the NAV series of ULIP and mutual funds are not comparable.

Investors are allowed to switch between equity and debt without any tax incidence in the middle and this is the main advantage of ULIPs. If ULIP was a good concept, how come it got equated with `scam'? It is mostly because of the actions of private insurance companies who launched a series of ULIPs that paid very high commissions, which varied from 60% to 100% of the first year premiums.

This upfront commission encouraged its massive mis-selling and was the main reason to convert a good concept into a scam. The arguments put out by insurance CEOs now that paying 60% upfront commission for a 20-year product is equal to 3% p.a. is simply wrong. This is because this calculation doesn't consider the time value of money.

The Insurance Regulatory and Development Authority (IRDA) woke up to this menace in 2010, but most of the damage was already done. Several investors have already lost money to the ULIP scam and have deserted the insurance altogether. And by this foolish act of sacrificing the customer interest, the private sector insurance companies have lost their golden opportunity to reach out to the masses. Though the ULIP has become a much better product after the new guidelines, the damage is already done. And due to low commission now, no insurance agent sells them. These agents are now chasing investors with `safe' traditional plans. Hope IRDA will wake up to this and reduce the commission for traditional plans before it reaches `scam proportions'.

The general advice doled out by financial planners is to keep investment and insurance separate (ie term plan for insurance cover and mutual fund for insurance).This is the best strategy for most investors. However, ULIP is still a good product for `evolved' investors, who can understand the maze of expenses charged and wade through them.

Source

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General Insurance

Listing of PSU insurers to happen one-by-one: DEA Secretary Shaktikanta Das - The Economic Times – 16th June 2016

The process of listing of four public sector general insurance companies will begin one by one and "lot of action" is expected on the front in next few months, a top official said today. "In the last Budget, government has announced listing of various public sector insurance companies and that is work in progress.

"We expect that the process of listing of the insurance companies will begin one-by-one. Modalities are being worked out and I think we should see lot of action on that front in the next few months," Economic Affairs Secretary Shaktikanta Das said at the Economic Times 'BFSI Best Brands' Summit.

In his Budget speech, Finance Minister Arun Jaitley had proposed listing of four wholly-owned PSU general insurance companies. The four companies are New India Assurance Company, National Insurance Company, Oriental Insurance Company, United India Insurance Company.

Insurance sector regulator IRDAI yesterday released draft guidelines for Indian listed insurance companies. As of now, no insurer, either private or state-owned are listed. However, several of them shown intent to tap the IPO route and get listed.

Commenting on the narrowing down Current Account Deficit (CAD) numbers, released by RBI this evening, Das said it is a "significant" achievement over the previous year.

"If you see this figure (of CAD) along with fiscal deficit, revenue deficit figures and all the other macro-economic parameters that we have, contextually we can say that Indian economy is doing well. The fundamentals are robust, especially when we have strong global headwinds," he said.

He said India should consolidate on its fundamentals to achieve much higher growth. "7.6 per cent growth in the last year is not enough...I am sure we can do better," Das said.

Source

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General insurers' premium income grows 19.4% in May – The Financial Express – 15th June 2016

Gross direct premium income of general insurance companies grew 19.4% year-on-year in May, with private players continuing to report higher growth compared with their public sector peers, data from the General Insurance Council showed.

In May, the general insurance industry saw gross premium income at R8,267.45 crore, against R6,923.96 crore in May last year. Private insurers' gross premium income stood at R3,510.24 crore, up by 22% compared with the year-ago period. Public sector companies witnessed a Y-o-Y growth of 17.2% at R4,250.99 crore in May.

In the last few months, private players continued to perform better than public sector insurers. Market participants say despite profits made by public sector general insurers, their high combined ratio might spoil valuations if they plan to list.

"If we look at the performance of public sector insurers, many of them are having an underwriting losses and their combined ratio is weak compared to private players. But currently, no private general insurance companies have announced their desire to list on the stocks exchanges. If we look at public sector players, they are trying to bring underwriting losses down and even improve their combined ratio," said a top insurance player.

The combined ratio (expense ratio plus loss ratio) indicates a product's profitability, and the ratio over 100% means it is not profitable.

Senior officials in the industry say on an average the combined ratio for private insurers is at 110%, while for a few public sector insurance companies, it is 115% or even more.

Source

However, private insurers believe that they have worked hard to bring down underwriting losses and it is not only about high combined ratio.

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Survey & Report

Market volatility puts a stop on Ulip surrenders in FY16 - Financial Chronicle – 12th June 2016

The persistent volatility in the stock market during 2015-16 has put a stop on surrender of unit-linked insurance plans (Ulips), a problem that had been rampant in the past several years. According to a study by Financial Chronicle, insurance policy surrender at ICICI Prudential, the country's largest private life insurer, remained flat during the FY2016 and it declined in double digits for other top insurers, helping them boost their assets under management.

Surrender payouts at ICICI Prudential stood at Rs 11,206.7 crore, a fall of 0.9 per cent for FY16. Of the total surrender payouts by the insurer, Ulips accounted for a sizeable chunk, with Ulip life insurance surrender payout being at Rs 3,884.63 crore, while Ulip pension plan surrender being Rs 4,175.56 crore.

In comparison, for the year ended March 2015, surrender payout by ICICI Pru Life was Rs 11,309.66 crore, of which Rs 4,574.85 crore was made towards Ulip life plans and Rs 5,368 crore towards Ulip pension plans.

For HDFC Life Insurance, surrenders or lapse fell by 21 per cent to Rs 4,950.40 crore for 2015-16 compared to Rs 6,289.70 crore in 2014-15.The first year premium for 2015-16 grew by 13 per cent to Rs 3,296.49 crore against Rs 2,928 crore in the year-ago period. The 13th month premium persistency was 78.88 per cent compared to 73.26 per cent in the year-ago period. However, the 37th month and 49th month persistency deteriorated. The 37th month persistency was 60 per cent in FY16 compared to 65.12 per cent in FY15, while the 49th month persistency fell to 63.36 per cent from 64.18 per cent. All figures are on original premium basis.

Subrat Mohanty, senior executive vice-president, HDFC Life Insurance, told Financial Chronicle: "We have launched a host of customer awareness and education initiatives to ensure that customers understand the long-term nature of life insurance contracts. Also, during 2015 the equity market was choppy. For 2015-16, the market showed a negative growth. We have noticed that when the stock markets remain volatile, Ulip investors do not surrender their policies. However, they do surrender to book profits in a rising market."

"Sales of most insurance companies were mostly Ulips in FY 2010, FY 2011 and FY 2012. Also, the Ulip regulations of 2010 have reduced surrender penalties, making it easier for customers to exit their investments," added Mohanty. Public sector behemoth Life Insurance Corporation of India (LIC) hasn't made its financial performance public yet.

During April-December 2015, the equity index Nifty 50 had registered a fall of 6.4 per cent. In January-February 2016, the Nifty had tanked by hefty 12.1 per cent. Although in March 2016 the equity market recovered, from December 2015 to March 2016 the index was down by 2.6 per cent. For the full year, from April 2015 to March 2016, the Nifty 50 had registered a decline of 8.9 per cent.

As more and more policyholders continued to pay their premiums, persistency ratios of companies improved. The persistency ratio for ICICI Prudential improved for the 13th month in 2015-16 to 82.4 per cent compared to

79 per cent in the year-ago period. For the 25th month, persistency ratio improved to 71.2 per cent. However, the 37th month persistency fell to 61.6 per cent during the period under review compared with 64.3 per cent in the previous year. The 61st month persistency improved to 46 per cent. Persistency ratio by policy also showed an improvement for the 13th month to 78.7 per cent compared to 73.4 per cent. Unit-linked policies had a share of more than 70 per cent in the new business premium of ICICI Prudential, and its first-year premium for 2015-16 grew by 8 per cent to Rs 4,924 crore compared to Rs 4,573 crore in 2014-15.

Renewal premium grew by 24.30 per cent to Rs 12,398.64 crore compared to Rs 9974 crore during the previous year. Single premium sales rose sharply to Rs 1,841 crore during FY16, compared to Rs 759 crore during FY15.

For SBI Life Insurance, for the year ended March 31, 2016 policy surrenders fell by 28 per cent to Rs 3,397 crore. The highest surrenders came from Ulip-related plans; Ulip life plan surrender amount was at Rs 2,364 crore, while Ulip pension plan surrender amount was at Rs 517 crore. In 2014-15, policy surrender amount at SBI Life was Rs 4,693.61 crore.

For Bajaj Allianz Life Insurance, policy surrenders by customers dipped by a whopping 50 per cent to Rs 3,360.89 crore for the year ended March 2016, compared to Rs 6,732 crore during the previous year.

Unit-linked insurance plans or Ulips are insurance-cum-investment plans where a small portion of the premium is deducted (as mortality charge) towards providing insurance cover. The rest of the premium is invested into equities or debt or a mix of both. While policy surrender was a problem for all companies, it was more pronounced in case of those insurers that have large banks as bancassurance partners.

This is because, post-October 2010, when the regulator revamped Ulip regulations those insurers, who did not have banks as distributors, cut down selling Ulips and moved towards selling traditional policies. However, those insurers, which had banks as their distribution partners, were better placed to offer Ulips to those individual bank customers who belonged to high net-worth segment.

Given a well-developed banking sector, bancassurance has become the largest channel for private players. Ulips offered a strong value proposition with transparent and low charges, lower discontinuation charges up to the fifth year, and zero-surrender penalty after five years.

While, in a traditional life insurance policy a policyholder has to pay the premium for at least three years to get a surrender value, this rule does not apply in Ulip. In case, a policyholder having a traditional insurance cover has not paid premiums for three continuous years, then the insurer forfeits all premiums, and policyholder gets nothing at the time of closing of policy. But, in case of Ulips, if a person has bought a policy before September 1, 2010, then he can ask the insurance company to surrender the policy, and the company will refund the money on the basis of the current NAV minus the surrender charges.

In case, the policy has been bought after given date, then there is a minimum lock-in period of five years. But one can stop paying the premium, and even if the policyholder has paid just one premium, he does not have to make a payment for five years. The money gets transferred to the policy discontinuation fund, and the insurance company is entitled to deduct a maximum of Rs 6,000 from that fund.

The balance amount remains in the fund and will be given at the end of five years. In the interim period, the policyholder gets a minimum interest at the rate similar to that of a savings bank account i.e. 4 per cent per annum.

Rampant mis-selling of Ulips as insurance products to a large population, which did not understand the vagaries of the stock market, led to high lapses and high surrenders of policies in the initial years.

Also, many agents would lure customers to surrender old policies and buy new insurance plans. This would help insurers as they could eat into the premiums paid by a customer as ‘surrender charges’, while the agent could earn up to 40 per cent of the premium as first year commission. Indeed, these were the main reasons that propelled the regulator to clean up the system.

The Insurance Regulatory and Development Authority of India (Irdai) first revamped the product design for unit-linked insurance plans (Ulips) in 2010, and Ulip pension plans followed by new product regulations for the traditional policies and variable-linked insurance plans in February 2013.

The Ulip guidelines capped upfront charges (paid by policyholders), returns and the commission payouts to agents. Immediately following these guidelines, during the FY11 and FY12, the industry witnessed a shift in the product mix from linked products to traditional products. The premiums fell at an annual rate of around 19 per cent during FY11 and FY12.

The life insurance industry was focussing on selling Ulips and Ulip pension plans during FY05 to FY10 as they had high charges for customers and the risk was also borne by the customer. The performance of Ulips is directly linked to primary capital markets that boomed between the FY06 to FY08, which benefited the insurance companies in turn. The FY09 and FY10 witnessed slowdown in the economy and, thereby, impacted the sale of policies.

Source

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IRDAI Circular

Source

IRDAI released exposure draft guidelines for Listed Indian Insurance Companies.

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Global News

Myanmar: Govt to revise insurance regulations – Asia Insurance Review

The Myanmar government plans to draft new insurance regulations, because existing restrictions on privately held insurers are hindering the development of the industry, according to industry officials.

A parliamentary committee is preparing to draft new insurance laws, but has not yet started work, reported the Myanmar Times.

The previous government ended state-owned Myanma Insurance's decades-long monopoly over the sector in 2012, opening the market up to private local companies that began operating the same year.

But progress in developing the market has been slower than expected, said U Nay Myo Aung, Managing Director of IKBZ. In order to expand, private insurers need to be able to sell insurance across a wider range of businesses and products, he said.

At present, the private insurance companies face restrictions on the kinds of insurance they can offer and the size of the policies.

While state-owned Myanma Insurance offers over 40 different types of insurance, from tour and travel insurance to oil and gas cover, private firms can only offer five types of life insurance and five types of general insurance.

The government's Insurance Business Supervisory Board (IBSB) provides one set of premium prices and policy wordings for all firms, meaning there is almost no choice for consumers.

Source

Around half of the policies private companies are allowe to offer are not popular, which holds the market back from reaching its potential, said U Soe Win Than, Managing Director of Global World Insurance.

Back

China: Taiping Insurance sets up specialist technology insurer – Asia Insurance Review

The China Taiping Insurance group has received approval from the insurance regulator to set up Taiping Technology Insurance, which is the country's first-ever insurance company to specialise in offering services to the technology sector.

According to the approval granted by CIRC earlier this month, Taiping Technology Insurance's nine shareholders are China Taiping Insurance, Zhejiang Finance Holdings, Zhejiang Expressway Co, Zhejiang Technology Venture Capital Co, Zhejiang Xinghe Group, Honwa Leasing Co, Zhejiang Xingke Technology Development Investment Co, Jiaxing Gas Group and Zhejiang Zhehua Investment Co.

The insurance company will be based in Jiaxing, a city in Zhejiang Province.

The purpose of establishing the insurer is to transfer risk from technology ventures in their research and development, production, distribution and after-sales activities, according to the National Business Daily.

The idea of a technology insurer was first mooted by the Ministry of Science and Technology and CIRC in 2006. The concept gained momentum when the State Council promulgated its guideline, "Several Guiding Opinions Regarding Accelerating the Development of Modern Insurance Services", in August 2014. The 2014 document is based on the original Guiding Opinions issued by State Council in June 2006.

Source

Some attempts have been made since 2006 to offer insurance coverage for technology ventures. However, these did not succeed because of lack of understanding of the risks involved and because of unclear business models.

Back

South Korea: Insurers sell assets ahead of new accounting rules – Asia Insurance Review

Insurers in South Korea are selling their real estate to come up with the reserves that will be required upon an upcoming major change in global accounting rules that the government said it will implement.

Financial Services Commission (FSC) Chairman Yim Jong-yong held a meeting with officials from local life and non-life insurance companies, stressing the government will push forward a plan to "embrace the International Financial Reporting Standards (IFRS) 4 Phase II among local insurers, as soon as the International Accounting Standards Board confirms details about the new rule", reported The Korea Times.

The new rule, which the government seeks to introduce to Korea by 2020, will assess insurers' liabilities based on market value, rather than book value. This allows a much "fairer" assessment on insurers' ability to withstand stress, according to the FSC, but also forces them to build reserves worth KRW50 trillion (US$42 billion) to cover losses expected down the road.

"Rather than opposing the introduction of IFRS 4 Phase II citing transient financial impact, it is important to share the optimistic impact that the rule will impose on the Korean insurance industry," Mr Yim said, adding the FSC will come up with schemes to limit the potential impact on insurers following the introduction of the IFRS 4 Phase II.

Meanwhile, insurers are striving to come up with reserves through various ways, including sales of their real estate holdings.

Samsung Life, Korea's biggest life insurer, has already agreed to sell its office in Jung-gu, Seoul, to Booyoung Group. Samsung Fire will sell its 50% stake in its office in Gangnam for KRW100 billion. Kyobo Life is also selling its offices outside of Seoul.

"Life insurers are facing a huge burden because they have sold long-term insurance products with fixed high interest rates during the 1990s and 00s," an industry source said.

Another industry insider said: "Major insurers at least have capacity to prepare for the new accounting rule, such as selling their properties, but small and medium-sized insurers are in a quandary."

The FSC has also said it will amend its risk-based capital (RBC) ratio assessment standard in order to cushion the impact of the new rule.

The standard of RBC ratio came under fire, after Allianz Korea was sold to China's Anbang Insurance Group for a giveaway price of $3 million, even though Allianz Korea's RBC ratio, a key index used to assess insurers' financial health, was almost double the FSS's regulatory minimum of 100%.

Source

"During the introduction of IFRS 4 Phase II, the government will cooperate with market participants so that the new accounting rule can make a soft landing and insureance companies' value will not be damaged by short-term impacts," said Mr Yim.

Back

China: CIRC Beijing probes insurers for illegal overseas business – Asia Insurance Review

The Beijing bureau of CIRC has started inspections at several foreign insurance joint ventures in the Chinese capital to ascertain whether they conduct onshore sales of insurance products of providers based outside the mainland, including those in Hong Kong.

The target of the inspections are foreign insurance ventures which cater to high net-worth individuals, as well as insurance intermediary companies and insurance agents.

The goal of the inspections is to understand whether there is illegal selling or promotion of insurance and wealth management products of overseas-based companies, especially of those in Hong Kong, reported the 21st Century Economic Report citing an industry source. CIRC officials are also gathering feedback on how to curb such prohibited activities.

CIRC inspectors will ascertain too the volume of illegal sales involved, the related amount of remuneration paid to sales personnel, and payment methods employed as well as confiscate client lists.

China's rules ban the sales of insurance and wealth management products within China that are offered by overseas institutions that do not have an operating licence on the mainland.

The inspections will be taking place across China. Last month, CIRC issued a notice to its local bureaux saying that cases involving intermediaries--whether individual or corporate, engaging in consultancy, wealth management and insurance, which hold product shows, summits, seminars or other promotional events on the mainland; promote the products of companies not based in China; or arrange for customers to go abroad to buy such products--need to be investigated, prohibited and penalised.

Source

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Thailand: Life market to see below-10% growth rate till 2026 – Asia Insurance Review

The Thai life insurance market will grow slightly less dynamically, at an average of 8.3% per year until 2026, compared with 11.5% in the past, according to Allianz Group Economic Research.

"Due to the still rather weak economic development, gross premium income in both segments, life and non-life excluded health, has grown markedly below the 10-year average in 2015, adding up to a plus of 4.7%," reported The Nation newspaper citing Mr Michael Heise, chief economist of Allianz, who was on a visit to Thailand.

Allianz forecasts the Thai economy would expand slightly more strongly this year than last year -- 3.0% versus 2.8% -- thanks to public investment and the buoyant tourism industry.

But against the background of already high penetration and increasing competition in the life insurance market, Allianz expects future premium growth to be slightly weaker than in the past 10 years.

Source

Amid the low-interest-rate environment, life insurers should consider asset mix and explore investment in alternative assets, such as real estate, infrastructure, renewable energy and private equity.