



News Categories

[Insurance Regulation](#)

*Regulator eases norms for unit-linked pension plans
IRDA, Sebi to bring system to curb laundering*

[Global News](#)

South Korea: Regulators to be tough on fraud by insurance sales personnel

Insurance Regulation

[Top](#)

News	Regulator eases norms for unit-linked pension plans
Newspaper	Financial Chronicle
Source	http://www.mydigitalfc.com/insurance/regulator-eases-norms-unit-linked-pension-plans-098

The insurance regulator, the Insurance Regulatory and Development Authority (IRDA), has relaxed its earlier decision asking insurance companies to guarantee a minimum return of 4.5 per cent on unit-linked pension policies.

This will pave the way for private life insurance companies to offer unit-linked insurance policies (Ulips), along with state-run Life Insurance Corporation of India (LIC).

However, insurance companies have been given the flexibility to fix guaranteed returns on Ulips. But, it will continue to be mandatory for insurance companies to offer guaranteed returns.

Guaranteed returns will have to be clearly stipulated by the insurance companies on all pension products like Ulips, individual and group plans. These new norms will become operative beginning next month. The regulator will be strict about pension products that do not meet the new guidelines.

As per the norms, insurance companies will have to disclose the assured benefit that would accrue to insurer at the time of sale.

Insurers will have to specify an amount in absolute terms that they will pay on vesting date.

“The new norms have lot of customer-friendly features like assured benefit in the form of minimum guarantee on premium paid on surrender of the policy, death or maturity, which assure downside protection. Also, we expect a lot of competition among insurers and the guarantee component will be crucial,” said GV Nageswara Rao, MD and CEO of IDBI Federal Life.

IRDA has said that same, single insurer that issued the pension plan will have to be retained for annuity payments. This, in effect, restricts the policyholder from shifting his corpus to a different insurer offering better returns.

“One major change, which has been made in the new pension plan guidelines, is that the policyholder would have to buy the annuity plan from the same insurer and he will not be able to shift to another insurer right after his policy tenure is over. Policyholders who want to discontinue their Ulip pension plan before the five-year lock-in period will be allowed to withdraw the accumulated fund after five years without converting into an annuity product,” said Andrew Cartwright, appointed actuary, Kotak Mahindra Old Mutual Life Insurance.

“The option to buy another pension policy after surrender or maturity of the existing policy will mean that there is no immediate compulsion to convert the proceeds to annuity. The extension of vesting date beyond the originally opted vested date gives flexibility in pension products. The benefit illustration has to be provided not only at the time of sale but in every year of the tenure so that the policyholder can track year after year,” said Rituraj Bhattacharya, head of product development and market management, Bajaj Allianz Life Insurance.

IRDA has limited the scope of riders (attachments with base policy) in pension plans. Premium on riders in pensions plans cannot exceed 15 per cent of the total plan amount, against 30 per cent earlier.

“The new pension plan guidelines will impact Ulips, as well as traditional pension plans. Traditional pension plans, which are already hard for insurers to sell, will see further slump in sales after the guarantee. We also do not expect a lot of fund options for the policyholders to choose from since the insurers will have to guarantee returns,” said GN Agarwal, chief actuary, Future Generali India Life Insurance.

In September 2010, IRDA had introduced new guidelines on unit-linked pension plans. However, even after more than a year after the guidelines were released, no private life insurance company launched regular Ulip pension plans. At present, only LIC has a unit-linked pension plan offering a guarantee of 4.5 per cent. Some insurance companies, such as ICICI Prudential and HDFC Life Insurance, have launched single-premium Ulip pension plans.

News	<i>IRDA, Sebi to bring system to curb laundering</i>
Newspaper	<i>Financial Chronicle</i>
Source	<i>http://www.mydigitalfc.com/news/IRDA-sebi-bring-system-curb-laundering-115</i>

Financial markets regulators Securities and Exchange Board of India (Sebi) and Insurance Regulatory Development Authority (IRDA) may install anti-money laundering system to help market intermediaries like mutual funds, stockbrokers and insurance distributors to curb money laundering by their clients.

This is aimed at bringing down the cost of maintaining such an infrastructure that generates alerts on suspected accounts and individuals operating through the financial market intermediaries, an industry official said.

He expressed the need for such an alert generating system to check anti-money laundering.

Some financial institutions like banks have such a system in place to generate alerts but transactions at insurance firms, mutual funds, brokerages where such systems are not in place are at risk. Big financial institutions like SBI have installed its own anti-money laundering system.

Speaking at conference on anti-money laundering S Ramann, executive director, Sebi said, "Transaction monitoring is extremely important, there is huge risk. It is not possible for smaller entities to do it. But it is critical for other agencies to put such sites. By doing so for a fraction of a cost you get your work done."

Ian Selbie, solution program director, Asia-pacific of US-based Unisys, which provides anti-money laundering solutions to several banks said, "Payment systems are increasingly real time and this presents new risk. It is imperative to have a good monitoring system that will help enable organisations to sift through the large amount of data required to generate alerts."

In Europe a consortium of financial market intermediaries have anti-money laundering system installed, which the members outsource to mitigate such risks, Selbie said.

"We are very lucky, our risk is much lower thanks to the demat system, and we have just such a tight regime for FIIs (foreign institutional investors). Sebi is careful about who it is going to give FII registration to," Ramann said.

Experts view co-operative banks with far-flung rural and urban reach as places where money laundering could take place.

"Today it is difficult to detect money laundering in absence of alert generating mechanism when some body is making a cheque payment through a co-operative bank to a mutual fund or when a person is buying a single premium life insurance policy," Sunil Raghavan, senior director (Sales, Technology Consulting & Integration Services), Unisys India said.

Besides Unisys others solution providers for anti-money laundering segment include Oracle, 3i-Infotech that update the database on almost real time basis.

Global News

[Top](#)

News	<i>South Korea: Regulators to be tough on fraud by insurance sales personnel</i>
Newspaper	<i>e-daily Asia Insurance Review</i>
Source	<i>http://www.asiainsurancereview.com/pages/e-weekly-archive.asp</i>

South Korea's financial regulators are enforcing a no-tolerance policy to clamp down on insurance fraud, incidences of which are on a sharp rise. In particular, the action is being taken against unscrupulous insurance sales personnel whom the authorities want to boot out of the industry.

The move is seen as urgent after the South Korean police announced earlier this month that they had uncovered the country's largest insurance fraud, involving more than 400 people and KRW15 billion (US\$13.3 million). The fraud was carried out by three hospitals, insurance workers and residents in Taebaek, a mining town. Some 331 residents lodged false medical claims to the state health insurance scheme, the police say.

According to Korea Times, financial regulators are now fine-tuning new regulations with the Justice Ministry that will allow them to revoke the licences of insurance sales people involved in fraud and bar them permanently from conducting business. This "one-strike-and-you're-out" scheme and other sanctions will be included in a Bill to amend the insurance law that the Financial Supervisory Service (FSS) plans to present to lawmakers soon.

Current regulations on insurance businesses do not provide specific rules on the punishment of those found guilty of fraudulent activities, merely stipulating vaguely that insurance salesmen should not commit them. The current rules mean that "insurance salespeople who are punished for insurance fraud at one company can usually move to another with no problem because there is no system for sharing such information between the companies", says an FSS official.

Insurance scams in the country involved KRW180 billion (US\$159 million) in 2006. The amount lost through fraud rose to KRW330 billion in 2009, according to the Korea Insurance Development Institute. However, the institute estimates that fraud cost the insurance industry KRW2.2 trillion per year, including uncovered cases.

Disclaimer:

'Newsletter' is for Private Circulation only intended to bring weekly updates of insurance related information published in various media like newspapers, magazines, e-journals etc. to the attention of Members of Insurance Institute of India registered for its various examinations. Sources of all Cited Information (CI) are duly acknowledged and Members are advised to read, refer, research and quote content from the original source only, even if the actual content is reproduced.

CI selection does not reflect quality judgment, prejudice or bias by 'III Library' or Insurance Institute of India. Selection is based on relevance of content to Members, readability/ brevity/ space constraints/ availability of CI solely in the opinion of 'III Library'.

'Newsletter' is a free email service from 'III Library' to III Members and does not contain any advertisement, promotional material or content having any specific commercial value.

In case of any complaint whatsoever relating 'Newsletter', please send an email to Mr. P.K. Rath, Director, College of Insurance, at rath@iii.org.in.

To stop receiving this newsletter, please send email to library@iii.org.in.