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INSUNEWS

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INSIDE THE ISSUE

Insurance Industry

Irda head, life insurers discuss dip in growth - Business Standard

Chief executive and actuaries of the 24 life insurance companies had a meeting on Thursday with T S Vijayan, chairman of the Insurance Regulatory and Development Authority (Irda). It was his first meeting with heads of this segment of the sector after becoming the head of Irda, in late February.

Officials said the discussion centred around the slowing growth of the life insurance segment and what to do about it. The meet discussed the traditional product guidelines and procedures in implementation, new pension norms and means of expanding portfolios.

Vijayan discussed what needs to be done to boost insurance penetration and density. Insurance penetration, measured as the percentage of insurance premiums to gross domestic product, was 4.1 per cent in 2011, compared to 5.1 per cent in 2010. Further, India reported a fall in insurance density for the first time in 2011. The figure fell to $49 (Rs 2,695 approximately) in 2011, from $55.7 (Rs 3,063) in 2010. Insurance density is calculated as the ratio of premiums to population (per capita premium).

"While no major regulatory decision was taken in the meeting on Thursday, the Irda chairman was offered different perspectives on the issues concerning the industry. The meeting helped him to get an overview of our concerns and the steps that need to be taken for it to be resolved," said an official who attended.

The insurance sector overall has seen a slowing in terms of penetration and density. The life insurance segment has seen a tougher period, with a dip in new business premiums, of 6.3 per cent for 2012-13. Recently, the new Irda chairman also held a meeting with general insurers, to discuss issues pertaining to that segment. Vijayan had discussed matters such as the discounts that companies give for fire insurance and high losses in the motor segment. Further points of discussion included the need to raise rates in the third-party motor insurance area. Irda had recently done so but insurers have maintained this was not enough.

TOUGH TIME

* Insurance penetration, measured as the percentage of insurance premiums to gross domestic product, was 4.1 per cent in 2011, compared to 5.1 per cent in 2010
* India reported a fall in insurance density for the first time in 2011, to $49 (Rs 2,695 approx.) in 2011, from $55.7 (Rs 3,063 in 2010)
* The life insurance segment has seen a dip in new business premiums, of 6.3 per cent for 2012-13

Source- Click here

Chidambaram hopeful of pushing through insurance reforms - The Hindu

Finance Minister P. Chidambaram on Friday exuded confidence that the government would be able to move ahead with the proposal to raise the Foreign Direct Investment (FDI) cap in insurance and pension sectors. In his address at a seminar at the 46th ADB conference, he assured delegates that the country's economic growth rate would accelerate to over 8 per cent in the next three years, from about 5 per cent during 2012-13.

"FDI regime in areas like multi/single brand retail, airlines etc. have been further liberalised and I am confident there will be forward movement in areas like insurance and pensions," Mr. Chidambaram said.

The Insurance Amendment Bill to raise FDI cap in the insurance sector from 26 per cent to 49 per cent has been pending in the Rajya Sabha since 2008. Parliament has not been able to function properly with the Opposition raising the issue of coal and other scams and disrupting the sittings.

Source – Click here

Passing insurance bill critical for both govt and industry - Hindustan Times

The life insurance sector could alone garner over Rs. 7,000 crore as fresh foreign direct investment (FDI) if the government passes the long pending insurance bill, which seeks to increase FDI to 49% even if the capital base remains the same. Besides this, there could be another chunk of FDI for the general insurance segment.

According to the Life Insurance Council, capital deployed as on March 2012 in the life insurance segment was Rs. 33,633 crore. The government, which is trying to address the twin deficits — fiscal and current account — may be relieved if the bill sees the light of the day as the move would significantly help in easing the pressure.

Raghuram Rajan, chief economic adviser at the finance ministry, had earlier underlined the need for an early passage of the bill, pending in Parliament for several years. "It is an important bill and its early passage would help the country substantially," Rajan said. "Most companies are ready with their plans of increasing FDI limit once Parliament approves the bill," a spokesperson at Aviva India said.

Source – Click here

A Max New York spokesperson added that the bill would also bring in domain capital which would be critical for the growth of the sector. The government is also looking at other possibilities which could help in raising FDI ceilings in various other sectors to put economic growth back on track. The government on Thursday approved Swedish furniture major IKEA's proposal seeking to invest Rs.10,500 crore.

New guidelines for banks doing insurance broking - Business Standard

Banks wishing to become insurance brokers might have to segregate a broking arm, which would be an independent accountable unit. The report of the Insurance Regulatory and Development Authority's committee on insurance broking says the bank broking unit shall have at least two persons with the requisite qualifications, mandatory theoretical and practical training and having passed the examinations required by the examining body.

It said, "The remaining staff shall meet with the training requirements specified under clause...of the code of conduct, in addition to participating in relevant insurance seminars, workshops and continuing education programmes organised by the broking association and other stakeholders in the insurance sector."

The report said banks acting as brokers would enable utilisation of the entire network of branches and increase insurance penetration, plus adding to competition in rendering services. Since RBI had earlier expressed concern about banks acting as brokers, Irda says the RBI position needs to be addressed.

"Since banks are regulated separately by the Reserve Bank of India (RBI), it shall be a measure to enhance the efficiency in the conduct of procurement of insurance business and also accountability to the policyholder as compared to the agency channel," it said.

The report says the bank shall have a board-approved policy to address issues with regard to conflict of interest between the bank and clients receiving banking services vis-a -vis insurance broking. The said policy would have to be filed with the Authority at the time of seeking an insurance broking license and the revised policy at the time of renewal.

It said banks registered/licensed by RBI could be recognised as an entity to act as a direct insurance broker and be regulated by Irda for their activities and functions specified in the Irda Insurance Broking Regulation. Banks will have to keep the following minimum deposit with Irda's lien - a direct broker to keep Rs 50 lakh, a reinsurance broker to keep Rs 2 crore and a composite broker to keep Rs 2.5 crore.

Banks need not have the additional capital requirement meant for direct brokers but must maintain a fixed deposit for the purpose of running the broking business. Banks engaged in insurance broking might be required to furnish an internal audit report on the performance of their insurance broking business annually from a chartered accountant or professional body different than the one auditing the non-broking banking operations.

Among the other issues, the report said the annual fees should be reduced to 0.4 per cent of the preceding year's revenue. Further, the ceiling on business from a single client is proposed to be increased a flat 50 per cent for any single group. Business emanating from a government body or a public sector unit is excluded from this provision.

Source – Click here

In terms of the requirement of capital, the report has proposed a new clause on transfer of ownership. It has said the capital should not be pledged and effective ownership and control of the shares must rest with the entity/individual approved by the Authority. For the life insurance business, an additional bonus commission of five per cent of the first year's new business premium earned has been proposed.

IRDA Regulations

Insurance regulator IRDA probing money laundering allegations against insurers - The Economic Times

Insurance regulator IRDA today said it is examining the allegations of money laundering levelled against LIC, Reliance Life, Tata AIA and Birla Sunlife and action will be taken against the guilty at the earliest. "The insurance companies concerned have been asked to file a report on the allegations. The matter is under examination and appropriate action will be taken at the earliest," Insurance Regulatory and Development Authority (IRDA) said in a release.

In its expose earlier in the day, Cobrapost has named as many as 23 public and private sector banks and insurance companies for allegedly "running a nation-wide money laundering racket, blatantly violating laws of the land." The four insurance companies which figure in the list are alleged to have violated the 'Know Your Customer' and 'Anti Money Laundering' Guidelines.

Responding to Cobrapost allegations, LIC said that it has effective system for compliance of all statutory and regulatory norms, but added that "in case of violation is noticed at any level necessary action will be taken by the Corporation". Reliance Life too denied the allegations saying that it adheres to strict internal controls, processes and best practices and is in full compliance with KYC norms and regulatory framework.

It further said: "As part of its ongoing compliance efforts, Reliance Life will continue to examine any specific instances that come to light for appropriate remedial action, if any." Taking a serious note of the expose, Tata AIA said: "We have initiated an internal inquiry into this incident and will take appropriate necessary action... Lapses in judgement and deviations from the rules are dealt with strictly." No response could be obtained from Birla Sunlife.

Source – Click here

Irda note on preparation of investment returns - Business Standard

The Insurance Regulatory and Development Authority (Irda) has brought out a guidance note on preparation of investment return, wherein detailed procedure for it has been given. The Assets Under Management (AUM) were around Rs 17.83 lakh crore in 2013.

To keep up with this growth in funds, Irda has proposed the systems and processes, should keep pace. According to this note, all periodical returns are required to be filed with the authority within 30 days from the end of the quarter.

Source – Click here

Life Insurance

IRDA wants LIC in energy insurance pool for Iran - The Economic Times

Insurance watchdog has suggested Life Insurance Corporation (LIC) should join the energy insurance pool proposed by the government to provide cover to domestic firms for processing Iranian crude oil. Suggestion comes after general insurance companies and oil firms raised concerns that the proposed Rs 2,000 crore energy insurance pool may not be sufficient to provide risk cover to Indian refineries processing Iranian crude.

At present, Indian general insurance companies provide cover to oil refineries and then re-insure that risk with big global reinsurers by paying a premium, which reducing the risk on their books. However, after the US-led sanction on Iran, global reinsurers provide re-insurance with "sanction clause," which limit the amount to be paid in case a claim arises, forcing the government to explore other options such as energy insurance pool.

A senior official of LIC confirmed that Insurance Regulatory Development Authority (IRDA) had moved the proposal, but said the country's biggest insurer is yet to take a call. "We are aware of the observations made by IRDA. It is too early to say that LIC will participate in the proposed pool. The company will take any decision after considering the interest of its policy holders," the official said.

Under the proposed mechanism, an insurance pool will be created from the premiums received by general insurers from such contracts and a matching contribution will be provided by the oil ministry. This will reduce the need for Indian insurers seeking re-insurance from the bigger global players as any claim that may arise could be settled from this pool.

Another LIC official, however, said that it is an unviable business proposal and since LIC is a commercial firm it will not participate in the proposed pool. "There is absolutely no point as the company will not get any premium or interest. If general insurers want to avail a loan that can be looked at" he said.

The government so far has been unable to kickstart the pool because the corpus was found to be inadequate for providing the large insurance cover refineries wanted. IRDA, in its observations, had noted that since the pool is being created in national interest with participation from government companies, the pool administrator may approach LIC.

Source – Click here

"The current regulations allow LIC to participate in such a pool, and further the life insurer can gain from diversification in its portfolio," said an official, aware of the developments. "It will be a welcome move if LIC can join the EIP (energy insurance pool) and in that case there will be no need to pursue foreign reinsurers," said a senior official with United India Insurance. State-run Mangalore Refinery & Petrochemicals (MRPL) is the worst affected by the sanctions imposed by re-insurers as it is the biggest buyer of Iranian crude oil.

Private life insurers' earnings hit as 'abnormal' gains end - The Economic Times

Private life insurers' earnings growth rate slumped last fiscal as abnormalities such as surrender of policies, which inflated earnings in previous years, were nearly eliminated due to regulatory intervention. ICICI Prudential Life said net profit for the year rose 8% to Rs 1,496 crore, and SBI Life's grew 12% to Rs 622 crore. Kotak Mahindra Old Mutual Life Insurance, the other private insurer, said profits fell 73% from a year earlier.

"Surrender profit is not good for the end customers and over the past year profit due to surrender has fallen," said Alpesh Shah, senior partner and managing director at BCG. "Now, what we are seeing are true operating profits because companies have improved efficiency and cut cost." Life insurance companies are rowing back to reality after years of heady revenue and profit growth driven by policies that did not suit investors, or promoted with huge commission to distributions. Many of these practices led to people buying Ulips, which are more like MF investments, but with a substantial sum of early investments eaten up by commissions. When realisation dawned that these policies were unprofitable, many discontinued and those discontinuation helped shore up profits.

In 2011-12, ICICI Prudential reported a 90% increase in earnings, for SBI Life it was 52%, and for Kotak Life earnings doubled. Canara HSBC OBC, a relatively new entrant, reported its maiden profit of Rs 23.5 crore. Although companies do not provide details of how much they earned from surrender, analysts forecast that to have been as high as three-fourths of the total profit. A report by Goldman Sachs on the life insurance industry in India said that top six life insurers reported a net profit of Rs 4,182 crore for the year ended March 2012 - 37% was on account of lapsed profit.

In September 2010, the insurance regulator revamped unit-linked plans by capping surrender charges, which were as high as 100% in some cases. Surrender charges are now capped at Rs 3,000 for premium up to Rs 25,000. And the premium is transferred to discontinuance fund if the policy is surrendered before two years.

Source – Click here

The industry, which is lobbying for higher foreign direct investment at 49% of total equity, from 26%, has been hurt by slowing economic growth too. Sale of new policies, the benchmark for growth, contracted 6.3% last fiscal as people squeezed by high inflationshunned financial savings. The product mix of industry has shifted from unit-linked insurance plans, products that invest in equities, to traditional or conventional policies.

For life insurers, new business is key to growth revival - The Hindu Business Line

Things looked up for life insurers last financial year. The decline in the first-year premium, the indication of new business coming in, was checked, if not completely arrested. The first-year premium underwritten by life insurers declined 6.32 per cent, at Rs 1,07,013 crore, in the financial year ended March 31, 2013, compared with Rs 1,14,234 crore the previous year.

In the year ended March 31, 2012, the dip in the new business premium was 14 per cent. Private insurance companies had collected Rs 20,767 crore premium, against Rs 32,728 crore in the previous year. Life Insurance Corporation garnered Rs 76,245 crore as premium income (Rs 81,451 crore). The industry was on a bumpy road for the most part of the FY13 owing to a variety of factors.

The legacy of tough norms for unit-linked insurance policies (ULIPs) and pension products introduced by the regulator over two years ago still haunt life-insurers. The 'ULIP Bubble' went bust, and the life insurance industry has been declining in terms of first-year premium.

Currently, ULIPs are not growing beyond 60 per cent of the private life insurance segment's business. Before the new regulations were enforced in September 2010, unit-linked products accounted for about 95 per cent of the business of private life insurers.

And insurers had to come to terms with massive shifts in the demand curve in favour of traditional insurance products as ULIP, once the darling of customers, lost its charm following the cap on returns/commissions. At the macro level, high inflation dealt another blow. When savings take a hit with high consumer prices, the decision on buying insurance is generally put off.

The response of insurers to these challenges was quite impressive and helped contain the dip in first-year premium growth in 2012-13 compared with the previous year. Many companies, especially the major ones, had put in place robust agent training programmes to make up for the loss of patronage for ULIPs. The general improvement in the macroeconomic situation in the last six months, with inflation coming down, might have also been a positive factor.

BIG QUESTION

While the improvement in new business premium should be heartening, life insurance companies need to brace themselves for greater challenges this year.

With new guidelines brought in by the IRDA a couple of months ago, a number of products have had to be recalled. Introducing new products would, of course, follow but not without questions about their acceptability in the market.

So, the new business premium is unlikely to quickly return to the growth path as expected earlier and may be negative in the current financial year as well.

It remains to be seen whether the new product norms will do a repeat of the new ULIP norms of 2010 and push the industry further down.

While the renewal premium might ensure top-line growth for insurers, new business is important in the long run as it improves insurance penetration and adds to industry size.

Hence, a sharper focus on new business may be helpful at this juncture under the new IRDA chief, T.S. Vijayan, seen as more industry-friendly than his predecessor, J. Hari Narayan.

Source – Click here

Index-linked products may go off the shelf - Business Standard

Index-linked insurance products (Ilips) are expected to remain absent from the product portfolio of life insurers from October onwards. In tandem with the new product guidelines, Ilips would not be considered as a separate product category. Life insurers have approached the Insurance Regulatory and Development Authority (Irda) to allow the sale of these products post the October deadline. Ilips are those insurance products whose benefits/returns are linked to benchmark indices.

These products are linked to the 10-year government bonds or equity indices like Sensex and Nifty. While those linked to government bonds are lesser riskier, those linked to equity-based indices would have fluctuations in returns, based on stock market performance.

Presently, some life insurers offer this product to their retail customers. Since most of them are linked to the 10-year benchmark yield, they are a safer mode of investment than equity. Life insurers also said that they have seen good consumer interest for Ilips due to them being linked to government securities.

"This product is easy to understand and transparent in terms of the return. Hence, it has been one of our top-selling product. Taking this into consideration, we have approached Irda to allow us to sell the product post October too," said the chief executive of a private life insurance company.

From October, the new product norms for traditional products will be enforced. If this plea is not considered, life insurers will either have to completely modify the product or discontinue it. The process of product refiling has begun for all insurers. Life insurers have requested the Irda to allow them to sell the product on the premise that these products are linked to government bond yields and hence are not very risky.

In the initial draft guidelines for traditional products, Irda has talked about Ilips as a new category of life insurance. It had said that insurers will have to provide a benefit illustration for the insurance products, linked to benchmark indices.

The regulator had said that will have benefits that clearly reflect the possible movements of the index to be linked and the value of the benefit to be guaranteed in such a scenario. For example, if there is a change of less than 2% per annum on interest rates, the value of benefits assigned would be 0.25% per annum of the policy account.

Similarly, if there is a change of more than five% per annum on interest rates, the value of benefits assigned would be 4% per annum of the policy account. The death benefits, lock-in period and surrender norms were similar to Ulips; as per the draft. However, this product category was excluded in the final traditional product guideline as the industry was apprehensive on the calculation of the charges for the product.

Meanwhile, market players said that there are limited transactions in this segment. Ajay Manglunia, senior vice-president, Edelweiss Securities explained, "We have not seen many index linked products. From the wholesale investors segment I have not seen many transactions happening. There might have been transactions from the retail investors side."

Source – Click here

Health Insurance

PHD Chamber of Commerce and Industry is organizing Seminar on '**Best Practices in Health Insurance – Strategies & Accountability'** on 17th May, 2013 in PHD House, New Delhi.

Send your participation confirmation to atmanorama@phdcci.in / Sameer@phdcci.in. (Participation is free of cost)

For more details please click here.

Global News

UK insurance competition at "all time high"

UK insurers must focus on underwriting profitability, which may be improved by rate increases and material expense reductions, according to a Moody's report.

The UK general insurance industry has a stable outlook, as rate increases and expense reductions are expected to mitigate adverse effects of the challenging economic environment. While upcoming civil, legal and regulatory reforms may be positive for the industry, such as Solvency II, motor and flood insurance legislation, they also elevate uncertainty and are not enough to positively influence the outlook, Moody's has reported.

Sluggish economic growth expected in the UK over the next few years will cause less demand for general insurance products. Persistently low interest rates continue to curtail earnings, while exposure to eurozone turmoil further increases risks of softening demand for insurance products.

Source – Click here

D&O rate hikes catching up broader market

US directors' officers' liability insurance (D&O) and professional liability business is generating accident year underwriting losses for the industry despite recent stability in loss ratios, according to a new Fitch Ratings report. D&O premium rates were previously lagging the market recovery in the broader commercial lines segment, but pricing trends are now catching up.

According to the report, D&O insurance is a rather small specialty segment of the property/casualty insurance market, representing approximately 1% of total industry direct premiums and written by relatively few individual insurers. "However, this line has greater notoriety than its modest stature would imply, as many large D&O claims arise from episodes of corporate insolvencies, stock price declines, financial reporting irregularities, or regulatory investigations that receive wider coverage in the business and mainstream media," said the report.

Aggregating D&O supplement data to analyze industry aggregate underwriting results shows direct written premium grew by approximately 6% in 2012 and the industry direct loss ratios improved by three points to 48%. Aon's D&O Pricing Index shows that rates in fourth quarter 2012 were 9.9% above the prior year fourth quarter

The Fitch report claims: "Greater interest in D&O insurance spurred insurance regulators to add a specific D&O supplement to statutory financial statements in 2011. This filing requires individual insurers to provide annual premium and incurred loss data on a direct basis for D&O business. Aggregating D&O supplement data to analyze industry aggregate underwriting results shows direct written premium grew by approximately 6% in 2012 and the industry direct loss ratios improved by 3 points to 48%." D&O market activity is concentrated within a smaller number of larger insurers because it requires unique underwriting and claims expertise, a willingness to write relatively large policy limits and corresponding potential claims severity.

The largest direct writers of D&O coverage in the US were American International Group, XL Group, The Chubb Corporation, HCC Insurance Holdings and Travelers as of year-end 2012. The top 10 D&O writers combined wrote approximately 70% of 2012 direct premiums, and the top 20 companies wrote more than 90% of all US business. Of the leading companies, AIG has traditionally been the largest writer and has maintained that position despite substantially shrinking its overall written premium base since 2008. XL Group was the second-largest direct writer of US D&O in 2012.

Chubb, previously the second-largest writer of D&O, moved to the third largest in 2012. HCC is a relatively newer entrant to the segment that has expanded quickly. Common sources of claims relate to securities litigation and regulatory actions and settlements. More recently, claims related to mergers and acquisitions have been a source of material losses for D&O insurers.

Many large D&O claims arise from episodes of corporate malfeasance or regulatory investigations that receive wider attention in the marketplace. These characteristics help explain why D&O insurance has greater notoriety than its modest stature would imply. "Emerging litigation trends point towards a near-term uptick in the pace of litigation settlements. Federal Deposit Insurance Corp (FDIC)-related litigation and lawsuits related to Libor manipulation are chief among those areas that appear poised to spur potentially large settlements, possibly within a short time horizon."

The FDIC filed 26 lawsuits in 2012, up from 16 in the prior year and only two in 2010. Moreover, a December 2012 report by Cornerstone Research notes that the impending end of the statute of limitations for institutions that failed in 2009 and 2010 could provide the impetus for more FDIC actions to be filed in the coming months.

"While it is unclear whether lawsuits related to the Libor manipulation scandal will be covered under D&O policies, there is ample reason to believe that this activity could lead to additional securities class action lawsuits. Fines already imposed related to Libor manipulation include a $1.5bn fine against Swiss bank UBS. Whether or not D&O insurers are ultimately required to reimburse their policyholders for penalties such as these will likely be hotly contested going forward," said the report.

Analysis of the other liability-claims made (OLCM) segment results in statutory filings provides additional insight on underwriting performance in D&O and professional liability insurance broadly. OLCM results for the industry aggregate and top 10 D&O insurers show that accident year loss ratios in this segment have been relatively stable over the past five years, but have risen to levels well above highly profitable years in the mid-2000s. Industry combined ratios in OLCM on a calendar year basis are slightly above 100%.

Favorable loss reserve development continues to boost underwriting performance, reducing the industry OLCM loss ratio by approximately 4% in each of the last two years. Questions remain on the strength of recent accident years and the potential for future adverse development. However, the chances of recent underwriting periods, including accident years from the recent credit crisis, experiencing severe adverse development is becoming more remote.

Source – Click here

Regulators fuel Asian non-life consolidation

South East Asian non-life insurance is benefitting from economic growth, and further development will increase insurance demand, but in the meantime the industry faces consolidation, according to AM Best.Increased regulatory capital requirements are causing insurers to seek mergers or else collapse, while economic growth prospects are encouraging some foreign investors to step in, notes the rating agency's report.

However, acquisition activity has been slower than AM Best had anticipated, partly because despite opportuntities for insurance market growth, many would-be investors have shown hesitancy to acquire Indonesian insurers that are so under-capitalised.New regulations and increased supervision are still evolving within the Association of South East Asian Nations (Asean) countries, particularly population-dense Indonesia, cited as a future big insurance market. Most Asean countries, including Malaysia, Thailand, Indonesia and the Philippines, are classified as country risk tiers (CRT) 3 and 4 by AM Best, which indicates moderate economic, political and financial-system risk.

Non-life Indonesian insurers have decreased to 85 non-life insurers by the end of 2011 from 94 in 2007. The minimum paid-up capital is IDR100bn ($12m), the required capital of the total capital and surplus, will increase to IDR100bn ($12m) in 2014, from IDR7bn ($8m) in 2012. The 2012 figure had already been increased from IDR40bn ($5m) in 2010. The higher requirements have driven a hunt for new capital, acquisition activities and cancellation of licenses. However, regulatory opening of the market has caused more foreign acquisitions, with foreign investors now able to acquire up to 80% of a company shares which grants control of the board.

Most insurers are owned by domestic conglomerates, domestic or regional banking groups, individuals or the government, according to AM Best. The top 10 insurers capture more than half of market premium. The remaining 75 insurers held an average share of less than 1%, which continues to reflect the fragmented market, AM Best said.

About a third of local Indonesian insurers do not meet the current requirement of IDR70bn, according to 2011 figures. Some insurers, although fewer than expected, still did not meet the requirement at the end of 2012, bringing additional license suspensions in 2013, notes the report. A study to find the insurers that still fail to meet the requirements and those needing to improve profitability was commissioned to the Indonesian General Insurance Association (AAUI) in March 2013.

In a market dominated by small players, insurers lack of economies of scale creates higher operating costs and lower underwriting buffers. In 2011, the expense ratio of the Indonesian non-life market stood at 37%, which is comparable to that of the Thai industry and higher than that of Malaysian insurers said AM Best. The cost structure of the Indonesian non-life insurers showed, however, a decreasing trend between 2006 and 2011, in line with a reduced number of players and increasing company size, said the rating agency.

The expense ratio decreased to 37% in 2011, compared with 40% in 2008, and 46% in 2006. This is primarily why the combined ratio improved in 2008 compared with 2007. However, since 2008, the industry underwriting performance has been quite stable, keeping within a 2% range from 89% to 91% over four years. Acquisition activities and capital infusions are expected to continue in 2013 and 2014 to meet growing capital requirements, particularly Indonesian non-life insurers.

Source – Click here

South African insurer, Sanlam said intends to invest in a non-life insurer last March and Indonesian insurer, PT Asuransi Staco Mandiri, has announced a potential investor from the banking sector to resolve its capital shortage. Fresh capital mainly come from insurance and regional banking groups and through initial public offerings, according to AM Best, with market consolidations fuelled overall by the capital difficulties. Indonesia, Thailand and the Philippines have similar non-life insurance markets: each is fragmented, with a plenty of insurers possessing little capital.

Insurers' bond investment hikes this year

Bond investment by South Korean insurance companies has sharply risen so far this year compared with a year earlier, largely due to a lack of investment sources amid a low-rate policy, data showed Tuesday. The net value of investment by local insurers reached 17.6 trillion won (US$16.1 billion), up 49.3 percent from 11.8 trillion won the previous year, according to the data by the Korea Finance Investment Association. Compared with four years ago, the figure spiked 281.6 percent, the data showed.

The net investment refers to the amount of net bond purchase, which excludes the corresponding figure of maturing debts. Their average monthly net investment came in at 4.4 trillion won, sharply up from 2.9 trillion won a year earlier, the data showed. Analysts said insurers have increased investment in bonds as there have been fewer profit sources due to an easing monetary policy by the central bank. A lot of insurers had expanded investment in real estate project financing before the slump in property market hit the sector.

Source- Click here

Also, since insurers tend to choose long-term and conservative types of investment, the demand for safer assets such as bond investment has been growing, they said. Local insurance companies saw their assets increase sharply in the last few years due to upbeat performance. Life insurance firms' assets in management jumped nearly 30 percent to 429 trillion won on-year as of end-2012, with that of nonlife insurers soaring 25 percent to 119 trillion won in the same period, according to the data.

China: Rising claims dent non-life profits

While several Chinese non-life insurers have reported increased premium volume in 2012, the current situation is not very optimistic, reports Sohu.com. Many insurers - including some major ones - have posted lower growth in their net profits compared to prior years, partly due to rising claims costs and market competition. Statistics have also revealed that the non-life sector's combined ratio increased to 99.5% during the January-February 2013 period, from 97.2% at the end of 2012.

Source – Click here

China's combined property insurance premium income rose by 15.2% y-o-y in 2012 to CNY552.98 billion (US$88 billion). Property insurance claims reached CNY281.6 billion, an increase of 28.8% year-on-year.

General insurance gross premiums grew 8% in 2012

The general insurance industry saw a growth of 8.2% in gross premiums to RM15.2 billion last year, from an increase of 7.85% to RM14 billion in 2011. Net premiums grew at a rate of 8.3% to reach RM 10.5 billion. General Insurance Association of Malaysia (PIAM) chairman Chua Seck Guan said there is still potential for further growth as recent studies have revealed that Malaysia is a country which is moderately insured.

"This growth is unlikely to be achieved without the concerted effort by the insurance industry itself to better its position," he said in a statement on Friday. "The insurance industry should look towards modelling risks for growing economies, investing in other distribution channels and developing new products to satisfy the appetites of the discerning consumers," he added.
PIAM reported that in terms of business market share, motor insurance recorded the largest share at 46.6% last year, followed by fire insurance at 16.4%.

Motor and fire businesses achieved an increase in gross written premium of 9.3% to reach RM7 billion in 2012 from RM6.4 billion a year ago and 7.2% to RM2.6 billion from RM 2.4 billion respectively. The contractors all risk and engineering (CAR and ENG) class of business also recorded an improvement of 16.4% to reach RM610 million in gross premiums in 2012 from RM524 million in 2011.

The overall net claims incurred ratio (NCIR) was on a downward trend in 2012 as it dropped to 57.1% from 60.7% in 2011. Overall motor NCIR decreased slightly to 72.8%, while medical and personal accidents both dropped to 55.6% and 28.9% respectively. Generally, the NCIR for most classes of business showed a downward trend last year except for CAR and ENG, which recorded an increase from 45.8% in 2011 to 57.3%.

The general insurance industry recorded an underwriting margin of 12.6% in 2012 amounting to RM1.7 billion from 9.8% amounting to RM1.3 billion in 2011. However, the combined management expenses and commissions ratio of insurance companies had increased to 30.3% in 2012 from 29.5% the year before. As at April 1, 2013, Piam has 30 members comprising licensed general insurance and reinsurance companies. Of this, 18 are general insurers, six composite insurers and six general reinsurers.

Source – Click here

Out of the 30 member companies, 15 are domestic operations and the other 15 are foreign-owned. In looking at areas of improvement, PIAM said that it has identified a project to develop a flood model for the general insurance industry to address the increasing flood risk exposure in the country. This model will help identify flood prone areas by location and provide a near accurate assessment of losses to determine proper underwriting by insurance companies. Meanwhile, MSIG Insurance (Malaysia) Bhd CEO Chua Seck Guan has been re-elected as PIAM chairman and , while RHB Insurance Bhd CEO Kong Shu Yin its deputy chairman.

Rural Life Insurance Rules to Be Tightened

China's insurance watchdog is preparing to release new rules to regulate and promote the development of life insurance in rural areas. "The rules will probably be made public at the end of this month or early October," Gong Yisheng, director of the system department of the China Insurance Regulatory Commission (CIRC), told*China Daily* yesterday.

Gong disclosed that the threshold for insurers' entry into rural areas will be even higher than for cities, due to the fragility of the rural market. For instance, the insurer should have outlets in local markets to ensure service for rural residents. And they will not be allowed to flee the rural market at will.

"All these measures aim to maintain a good environment for insurance development in rural areas," Gong added. With the 'word of mouth' phenomenon particularly strong in rural areas, misleading sales or unreasonable refusal of claims will result in mass reimbursement demands, thus damaging the local insurance market, he explained.

At the moment, accident and health insurance are the best sellers in the countryside, but products tailored to farmers are in short supply. "Comparatively high premiums, inflexible payment terms and incomprehensible policy clauses are the major problems," said Zhou Fuping, a researcher at the CIRC, adding most insurers made little or even no changes to policies in rural areas.

"To give farmers more choices, insurers are encouraged to offer more affordable policies and easy to understand clauses when entering the rural market," said Gong. "We will soon embark on a pilot program that differentiates premiums in different regions."

The life insurance industry in China's countryside has developed rapidly in recent years. There are around 14,000 outlets in rural areas, covering 30 percent of towns and villages. For example China Life, the country's largest life insurer, has 427,000 sales agents in counties and scored 12.9 billion yuan (US$1.6 billion) of premiums from the countryside in the first half of this year. When developing the rural market, insurers are also paying attention to migrant workers.

Statistics show that China has some 120 million migrant workers, accounting for one-tenth of the total population. To better protect their livelihoods, local governments have played an active role in helping them get insured. In Shanghai insurers, entrusted by the Shanghai municipal government, offer comprehensive insurance to migrant workers. By the end of 2005, about 2.5 million migrant workers had been insured, with claims topping 200 million yuan (US$25 million).

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Furthermore some insurers, such as New China Life, offer services that enable migrant workers to get timely reimbursement in the city even if they buy the policy in their hometowns. "We will strive to popularize this service in Beijing, Shanghai, Guangdong and Shenzhen, the major destinations for migrant workers," said Gong. "In major labor exporting provinces, such as Shandong, Sichuan, Hunan and Anhui, we would like to offer more affordable insurance products with financial support from the local government."

Malaysia: Govt considering mandatory unemployment insurance

A compulsory unemployment insurance scheme for workers in the private sector is in the pipeline, says Malaysia’s Human Resources Minister Dr S Subramaniam. The scheme would cover Malaysians working in all segments, regardless of pay scale. A commission had studied the issue since last year and has submitted its initial report on the possible models to be adopted.

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“We have looked into the backgrounds of young and old workers and how we can provide them with better security, including after they retire,” he said at Labour Day celebrations on 1 May.