



• Quote for the Week •

“The future belongs to those who prepare for it today”

Malcolm X

INSIDE THE ISSUE

IRDAI Regulation

News Pg.

Regulation 1

Life 4

General 7

Reinsurance 11

Survey 13

Circulars 13

Global News 13

IrdaI moots radical changes in health insurance - Business Standard - 18th June 2015

Insurance Regulatory and Development Authority of India (Irdai) is planning massive changes in health insurance, which include more incentives for healthy policy holders and a level playing field for life and non-life insurers, among others.

In its draft norms on health insurance shared with companies, Irdai has said there could be higher solvency requirement for group health segment. This means, those operating heavily in this space would have to allocate higher funds for this space.

Last year, too, Irdai had said in its guidelines on pricing of risk that industry-wise loss cost should be considered for pricing a product. The regulator had said there should be an appropriate board-approved policy and that this would be closely monitored. At present, 150 per cent is the solvency margin required to be maintained by insurers at all times. This is expected to go up to 200 per cent for group health, while existing limits may remain for retail health.

Besides, healthy policyholders are proposed to be incentivized with better rates once their health and fitness are monitored on a regular basis. Current norms do not allow pricing to be based on fitness levels since there has been apprehension about the availability of adequate data on the same.

Apart from wellness incentives, insurers will also be able to reward customers who maintain a good level of fitness with better insurance rates. Insurance companies already offer health- and wellness-based discounts to individuals including spa coupons, gym membership discounts, among others, to inculcate healthy behavior among customers.

Industry officials said for those customers who exhibited better behavior with respect to more physical activity and taking care of their fitness would be incentivized, if allowed by the regulator. With respect to products, both life insurers and non-life insurers could be given an equal footing, although industry sources said standalone health insurers would still continue to offer niche products for that space.

Going forward, long-term critical illness plans could also become more specialized with more ailments being aided and more long-term products being brought to the fold. Although these norms are at a draft stage, Irdai will finalize it in the next few months after which it will be implemented.

Source

[Back](#)

IRDAI unveils exposure draft for TPAs - Financial Chronicle - 18th June 2015

Insurance regulator IRDAI has unveiled an exposure draft for revisiting certain provisions governing the third party administrators. Minimum paid up capital requirements are proposed to be increased to Rs 5 crore which shall be in equity shares, as per the draft.

The draft also says that enabling provisions for servicing of overseas travel policies issued by Indian insurers, of overseas travel policies issued by foreign insurers and of non-insurance healthcare schemes promoted, sponsored or approved by government are proposed to be incorporated. IRDAI plans to put the onus of regulatory compliance on CAO or CEO.

Source

Irda, insurers ask govt for clarity on FDI norms – Mint – 16th June 2015

The insurance regulator and a group of private life insurers are in talks with the finance ministry, seeking clarity on fine print attached to the government's decision to raise the foreign investment limit in the sector to 49% from 26%, according to three people familiar with the discussions. On 12 March, Parliament put its seal of approval on legislation that raised the limit, kicking off negotiations for foreign investors to increase their stakes in Indian insurance joint ventures, along with discussions around possible public listings by the larger insurers. However, confusion has re-emerged because of the wording of the rules.

"According to these rules, foreign equity investment cap of 49% is applicable to all Indian insurance companies and they shall not allow the aggregate holdings by way of total foreign investment in their equity shares by foreign investors, including portfolio investors, to exceed forty-nine per cent of their paid-up equity capital and also shall ensure that ownership and control shall remain at all times in the hands of resident Indian entities as referred to in these rules," say the new regulations.

Since the rules say that "ownership and control" must remain with "resident Indian entities", the insurance units of entities such as ICICI Bank Ltd and Housing Development Finance Corp. Ltd (HDFC) will not get the benefit of the increased foreign investment limit as the parent firms are majority owned by foreign investors.

Other Indian firms that have a majority foreign ownership and have insurance joint ventures will also be affected by the uncertainty. At present, the foreign holding in ICICI Bank is 70% and the foreign holding in HDFC is 79.65%, according to data from Bloomberg.

"Such insurers, which have India-registered promoters that are recognized as foreign entities under the DIPP (department of industrial policy and promotion) norms, may have to approach the government and FIPB (foreign investment promotion board) directly for an approval to increase foreign holding, without letting the ownership and control going into foreign hands," said one of the three persons cited above, who is an official at the Insurance Regulatory and Development Authority of India (Irda).

The official added that Irda is in discussions with the government seeking clarity on the issue of "control and ownership". All three people spoke on condition of anonymity. Emails sent to ICICI Bank and HDFC seeking comment last week remained unanswered. Irda has also asked the government if rules governing foreign ownership in insurance ventures as outlined by the regulator in 2000 are still valid.

According to section of 11 of the Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000, while calculating the foreign holding in an insurer, only those holdings will be considered where the foreign investor has a stake in both the insurance firm and the parent company.

According to the second of the three people cited earlier, the insurance regulator has sought clarity on whether this method of calculating foreign holding still stands. "We have asked the government for clarity. The insurance regulator can amend regulations but cannot amend an Act. So the companies have to directly approach the government in this regard," said this person. "Unless an insurer gets an FIPB approval to increase the foreign holding within the prescribed limits, the Insurance Regulatory and Development Authority of India cannot approve applications from insurers seeking a hike in foreign holding," he said, adding that the government may choose to clarify the issue.

India has 24 life and 28 general insurers. A number of them are looking to raise capital either by allowing foreign partners to increase their stake in the venture or through possible listings. Both HDFC and ICICI Bank have said that they would look to monetize their insurance subsidiaries. This process will likely get stretched out unless the government clarifies the technical aspects of its policy.

"We have expressed the technical difficulties in increasing the foreign holding in our firms due to lack of clarity in the latest notification on FDI limit hike," said a top executive at a large life insurance firm, adding that several meetings had taken place between finance ministry officials and insurance company executives over the past few weeks.

"If the government does not bring clarity on the matter soon, the overall purpose of raising the FDI limit in insurance will fall flat. We are expecting a clarity on the matter by next month," the executive added. Another point raised by insurance companies is the fact that in 2010, the DIPP had said that holdings of firms such as

HDFC and ICICI Bank in insurance subsidiaries would be exempt from the foreign ownership norms. Insurers have asked the government whether that exemption still holds. A November 2014 report by Boston Consulting Group (BCG) said that the life insurance industry grew at a compound annual growth rate (CAGR) of 25.8% between fiscal 2003 and 2009.

“...If FDI norms are relaxed, the industry is expected to attract capital inflows of about Rs.10,000 crore in the near term, and as much as Rs.40,000 crore over the next 10 years. If these projected levels of capital inflows materialize, the industry is likely to expand at a CAGR of about 15% over the next 10 years.

Source

This would help the market for new premiums grow four times, to Rs.4.8 trillion..,” Tarun Chugh, managing director and chief executive, PNB MetLife India Insurance Co. Ltd, said in the BCG report.

[Back](#)

Irdai likely to ask banks to tie up with more than one insurer - Business Standard - 13th June 2015

Once banks start submitting their business proposals with bancassurance plans, Insurance Regulatory and Development Authority of India (Irdai) may insist on them tying up with more than one insurer.

The regulator has done away with an earlier proposal on capping insurance business from one insurer by a bank. But now, industry sources said it may nudge banks to open up to at least one more insurer, in each category.

In an earlier draft of the rules released by Irdai a few months ago, banks were asked to cap business from one insurer to 90 per cent in the first year, and consequently to 50 per cent later after four years or more.

While the new draft has made the wait longer for those insurers without a bank partner who were hoping that they could tie-up with banks, sector experts say there is still opportunity.

“At a time when banks submit a business proposal about their insurance activities, we understand that the regulator may ask them to tie-up with at least more than one insurer,” said the chief executive of a bank-promoted insurer. He added that this would be a more appropriate mechanism than asking banks to put caps.

At present, banks are allowed to tie-up as a corporate agent with one life, one non-life and one standalone health insurer. In its new draft, Irdai has said banks can tie-up with up to three insurers in each of the above category.

Large banks which promoted insurance companies had approached the finance ministry with concerns that mandatory caps restricting business from one insurer would have a significant impact on their valuations. They had requested the regulator to reconsider the cap, since otherwise they believed that this would impact the flow of foreign direct investment that would come into their insurers on the virtue of them having a bank partner.

In the previous draft, Irdai had said no corporate agent (including banks) can get more than 75 per cent of the premium from any one insurer in the second year and 60 per cent in the third year. From the fourth year onwards, it said that this limit should not be more than 50 per cent.

Banks have also expressed interest to tie-up with public sector insurers including Life Insurance Corporation of India (LIC) and the four public general insurers apart from the existing tie-ups that they have.

"If we are asked to tie-up with other insurer, we would like to choose public sector insurers," said the executive director of a public sector bank. "The regulator has given an option to choose whether they want to remain as a corporate agent to one insurer or tie-up with more than one insurer.

Source

Insurers had asked insurers to give in their views on this draft by June 4. Sources said that the final regulations would be brought out in the next few days and could be implemented from the next quarter onwards.'

Life Insurance

Life plus health insurance gains traction - The Times of India - 17th June 2015

The enhancements in Section 80 D, which deal with tax deductions for medical insurance premium, coupled with changing lifestyles and demographics have resulted in life insurers strengthening their presence in the health segment. From providing cancer care covers to mulling covers for pre-diabetic patients and people with special needs, insurers are now tapping a whole new segment. Till now, many life insurers offered critical care as a rider, which hopped on to other plans.

"Globally, life and health have been on one platform and India is moving in that direction. Life insurers like us have plans that take care of long term health needs unlike mediclaim in general insurance which covers only hospital reimbursement," CEO of Edelweiss Tokio Life Insurance Deepak Mittal said. Edelweiss launched its Criticare + plan early this year and has got 256 customers with Rs 18.4 lakh in premium collections till date. The plan covers 17 critical care illnesses.

"Due to economic and demographic changes in recent years, customer attitudes towards health and insurance are changing. For instance, living with long term impaired health is a reality in many homes. So we need products that compensate for job loss," Mittal said. This year's budget enhanced Section 80 D limits to Rs 30,000 for senior citizens from Rs 20,000 earlier and increased deduction under Section 80 D to 25,000 from Rs 15,000 earlier (for self, spouse or children) has also provided a shot in the arm for life insurers.

"Many people get a life cover for tax benefits ... but with increased limits under Section 80 D, they now have greater choice in opting for a health cover in a tax efficient manner," chief actuary of Kotak Mahindra Old Mutual Life Insurance Sunil Sharma said. HDFC Life just launched a protection plan for cancer clocked Rs 50 crore in premiums from its health policies during last fiscal. "We are looking to double our premium collection from the health segment this fiscal. Policies such as Cancer Care help in greater engagement with life insurance customers as life insurance is long term in nature," senior EVP-marketing, product, digital and ecommerce of HDFC Life Sanjay Tripathy said.

HDFC is also looking at other innovations in this segment. "We are looking at innovations in cash reimbursements such as a health saving account," Tripathy said. But while choosing a health plan by a life insurer vis-a-vis those provided by general insurers or stand along health care companies, it's important to note that annual premiums in health plans by life insurers are more expensive than others.

"It is 30% more expensive in the beginning but unlike general insurance plans, health premiums in the life segment don't move up drastically once the insured hits a new age bracket," said a senior official from a life insurance company. "While general and standalone health insurance companies are targeting short term plans with yearly renewals, life insurers are targeting long term plans where the term is at least five years," he added.

Premium collections from by life insurers from health plans and riders currently account for less than 5% of the total. And even in the popular plan category offering by life insurers like critical illness covers and riders, the current annual premium collections stands at around Rs 5 crore. Investment advisors too put in a word of caution. "By getting into health insurance, many life insurers may actually end up confusing customers more. Especially if it is a me too product," Karthik Jhaveri, director of Transcend Consulting, a personal finance advisory firm said.

Source

[Back](#)

Life insurers eye part of health insurance pie - Financial Chronicle - 15th June 2015

In the past, life insurance companies have tried their luck with the health segment. The higher growth in the segment and the initiatives to create a level playing field for life and non-life players is becoming a motivation for the life insurers to explore health.

"Life insurers have always lagged behind general insurers in case of health. If you look at the combined health premium of life insurers, it is nowhere near the premium of general insurers. Most of the life insurance players sell critical illness riders along with life policies. Health segment has been growing faster than the industry for the past five years, while the life segment has been growing at a much slower pace. High growth in a less

penetrated market is one of the main reasons why life players too are looking at health,” said Sanjay Pande, executive director, Amicus Advisory. The increased tax benefit under Section 80D too is a reason to approach the customers. According to Sanjay Tripathy, HDFC Life senior EVP, marketing, product, digital and e-commerce, “Life and non-life players operate differently and are governed by different norms. Irdai’s efforts to provide a level-playing field will see better participation of life insurers in health.”

HDFC Life, which launched its cancer care product recently, said it had a “renewed interest” in the segment. “We want to build a strong relationship with our existing customers. Usually in life insurance we look for new customers every time and health products help us to leverage the existing relationship with the customer. We have an opportunity to sell other products to the customer who is with us for 15 to 20 years,” he said. HDFC Life is doubling its health premium to Rs 100 crore this year.

“Life Insurance companies have better penetration of distribution and can help penetrate better with health insurance. If the norms for life insurance and general insurance were to be at parity, the interest in the category would be significantly higher,” said Anup Rau, CEO of Reliance Life. Reliance Life has three products in the health portfolio and has recently launched Reliance Health Total. Currently, our health insurance products don’t contribute significantly to our total premium, but we hope to improve the same with our new product,” he said.

Pande finds that while life insurers focus on fixed benefit plans, general insurers, who sell indemnity plans, find it easier to offer mediclaim plans. “Health needs an infrastructure, which includes doctors, TPAs and manpower to process indemnity plan. Moreover, the distribution network of life and non-life too works differently,” he said.

Life insurers are allowed to offer products of a minimum five year renewal, but health has always worked on annual renewals. The sales force too prefers an annual renewal product for the higher commission. “The distribution in general insurance earns new business commission annually for an annual renewal plan. In case of long term products, the commission tapers down in the subsequent years,” said Rau. “Neither the sales force nor the customer are comfortable with going through a medical test before buying an insurance product,” said Tripathy. HDFC Life’s cancer care does not require a medical test.

Source

[Back](#)

Service tax hike makes life insurance plans costlier - Financial Chronicle – 15th June 2015

Service tax on life insurance plans has gone up with effect from June 1. The new service tax rate is 14 per cent (old rate 12.36 per cent) for term insurance and 3.50 per cent (old rate 3 per cent) for traditional plans in the first year and 1.75 per cent (old rate 1.50 per cent) in subsequent years. The increase in service tax has raised the premium and will reduce the overall return on traditional plans. Traditional plans are a combination of insurance cover with a savings element coupled with tax benefit.

The entire debate after the Modi government completed one year was around growth and development, but nobody noticed that this minor change in tax rate could affect crores of insurance policyholders. The service tax hike is a major blow to the common man, as it has not only increased insurance premiums but also raised mobile bills and cost of other services.

Until recently, the Indian insurance market was largely about traditional insurance plans. Previously only LIC was pushing these products, but private insurance firms have also been aggressively pushing these plans over the last few years.

Traditional plans are easy to sell, as they are not complex compared with unit-linked plans. Traditional insurance plans are not insurance plans in proper sense of the term, as they offer very limited sum assured against the premium paid. Nor are they investment products, as they are unlikely to beat inflation in terms of return. We need to agree that insurance distribution is agent-driven. Agents sell only those products where they earn more commission. Agents are promoting traditional plans heavily because they pay around 35 per cent commission in the first year and 5 per cent renewal commission thereafter as long as the premiums are paid. Irdai is silent and not taking any step to reduce the charges on traditional plans. These charges and the rising service tax will now make traditional life insurance plans investor-unfriendly.

The service tax journey started from 1 per cent and has now increased to 3.50 per cent in just four years. June onwards, one will have to pay more premiums because of the service tax hike. I strongly feel annual returns on traditional plans will come down to below 6 per cent per annum.

Now, it would be better to take a term plan and invest the balance in PPF, as this product also offers tax benefits and the maturity amount is tax-free. This combination of term plan and PPF can give at least 2 per cent more return compared with traditional plans.

[Back](#)

Govt's life, accident cover schemes no bonanza for insurance companies - The Financial Express - 15th June 2015

After the success of direct benefit transfer for LPG consumers across the country, the NDA government has launched a campaign to link insurance cover with bank accounts for citizens from a segment where financial security is needed the most. Both life and accidental insurance are being provided under two separate policies issued by life and non-life insurers.

For the life cover, bank account-holders between the age of 18 and 50 are eligible, but the cover would continue till the age of 55. For accidental insurance, any adult account holder below 70 can join the scheme. The cover would cease on reaching 70. As with Jan-dhan Yojana, the government expects more than 10 crore account holders to benefit from the scheme. It is following up with banks vigorously to popularise the scheme and a massive publicity campaign has been launched. The idea to provide insurance to people through an organised set-up, where KYC and ease of paying premium are assured, is definitely a novel one and this may enable the country to put in place a smoothly accessed and self-financed social security system.

The life cover premium and conditions regarding the health declaration, however, defy the scientific standards usually applied by insurers to assess risk, fix premium and to prevent anti-selection. In such schemes, the tendency of bad lives entering the scheme is usually very high. Premiums of just Rs 12 and Rs 330 for accidental insurance and for a life cover of Rs 2 lakh, respectively, appear to be quite aggressive. Though the accidental insurance scheme provides for payment of Rs 2 lakh on death or permanent disability only, yet — in view of rising deaths due to fast growth in the number of vehicles and more frequent occurrences of natural disasters — insurers may start bleeding very soon.

Of the life cover premium of Rs 330, the insurer will get only Rs 289 after payment of commission and service charges to banks. A reference to census-based mortality data, known as crude mortality rate, indicates that unless and until the average age of bank account-holders is under 35, the scheme would hit the insurers adversely and they may not be able to support it even in its second year. Even if the mortality table based on the data of Indian assured lives is taken, the premium does not seem sustainable for people beyond 40-45. The risk of sick and those over 60 sneaking into the scheme is very high, in such an open-door model.

Ideally, this type of risk is covered through reinsurance arrangements. But the existing rules on reinsurance do not permit reinsurers to step in for sum assured as little as Rs 2 lakh. IrDAI has not come up with guidelines in this regard, though insurers have been lobbying for a special reinsurance framework to transfer some of the excess risk to another entity. However, it is very likely that multinational reinsurers may not be willing to take on risk under this kind of scheme.

The government's attempt is definitely a noble one and it comes close to the universal social security scheme available in many advanced countries. However, slightly better preparedness would have enhanced chances of instant success. The success of an insurance scheme lies in prompt and efficient claim settlement. An accidental claim procedure normally requires a police report and, to process all claims, a valid death certificate will have to be submitted to the insurers. Will the banks find time to assist the claimants in procuring these documents quickly or even to guide them? They will probably be too busy mobilising deposits and managing NPAs to take care of such humble responsibilities.

As far as the insurance sector is concerned, these schemes are not likely to give a substantial boost to penetration or insurance density, which appears to be another indirect objective of the government. Insurance penetration is the ratio of total insurance premium to GDP and insurance density is the per capita premium. As on March 2013, India's penetration was 3.96% and insurance density as on March 2012 was \$ 53.2.

Source

On the same date, the global average of penetration was 6.3%. It is obvious that such low-cost insurance schemes may be effective as populist measures, but may not impact the insurance industry positively and substantially. In the next budget, the government may have to allocate a good amount of taxpayer's money to fulfil its political ambitions through the two schemes floated in the name of the prime minister.

[Back](#)

Insurers walk the extra mile to counter negative perceptions - The Economic Times – 11th June 2015

Stung by the strong negative perception against unit-linked insurance policies (Ulips) created by complaints of rampant mis-selling in the past, several life insurers are taking measures to pre-empt such grievances and nip them in the bud. In an attempt to stymie future complaints and safeguard their reputation, life insurers like SBI Life, IDBI Federal and IndiaFirst Life have started making calls to their policyholders to enquire whether they have understood the policy terms and conditions before issuing the policies. These 'pre-issuance' calls are made even before the policy is issued and the mandatory 15-day free-look period clause, which allows policyholders to cancel the policy and claim refund of premium, comes into play.

"This year, we sold 11.3 lakh policies, out of which 9.5 lakh went through this call process to confirm whether policyholders had understood the terms and conditions or not," said Arijit Basu, managing director and CEO, SBI Life. Companies are also carrying out an internal suitability analysis, in addition to need analysis that is part of the standard proposal form prescribed by the insurance regulator. "We will evaluate whether the prospective policyholder can afford the product like banks ascertain whether you can afford EMI or not. Also, in case of potentially vulnerable customers - say those aged over 50 or 60 - we call them to explain product workings and ask them if they are aware of the terms and conditions," said RM Vishakha, managing director and CEO, IndiaFirst Life Insurance.

Ulips had gained notoriety following large-scale complaints against distributors who pushed these products on the back of exorbitant commissions. In 2010, mis-selling complaints and turf war with markets regulator Securities and Exchange Board of India (SEBI) over regulation of Ulips prompted the Insurance Regulatory and Development Authority of India (IRDAI) to issue sweeping guidelines, including capping Ulip commissions and other charges.

Industry-watchers feel that regaining the dented customer confidence is among the key challenges the life insurance sector is facing at present. "The customer has to be at the centre of insurers' universe. However, many life insurers had moved away from this principle and were focussed on pampering the distributors instead. Only now have some insurers started placing emphasis on customers' interests," said Anuraag Sunder, managing consultant, financial services, PwC India.

To assure customers on their commitment to claim settlement, IDBI Federal and Max Life offer a claim guarantee - that is, claim processing within 8-10 days, failing which, the policyholder is paid penal interest for the period of delay. "We pay customers 8% interest for every day of delay (in claim settlement). This is not going to increase our top-line, but sends the message to existing customers that we value them," said Vighnesh Shahane, whole-time director and CEO, IDBI Federal Life Insurance.

[Back](#)

General Insurance

New crop insurance scheme to be unveiled this year: Radha Mohan Singh, Agriculture Minister - The Economic Times – 16th June 2015

The government will launch a new crop insurance scheme with a clause guaranteeing minimum income to cultivators in case of a natural calamity, Agriculture Minister Radha Mohan Singh today said. "We announced last year that the new crop insurance scheme will be in place next year (2015). I want to announce that the new scheme is going to entail minimum income clause for farmers," he said. Singh was speaking during a national conference on crop insurance here.

The scheme is designed to provide income security as well as insurance against crop losses suffered from calamities, he added.

The government is dedicated to the upliftment of villages, the poor and farmers and has unveiled many welfare schemes for these sections of the society, Singh said. Singh blasted the previous UPA Government for not moving ahead on soil health management plan even after the UN's advice to countries to work in this area in 2007-08.

"The previous Congress-led government made a budgetary allocation of just Rs 72 crore for soil health management between 2007 and 2014," he said. The Centre has already released "huge" money to the states for issuance of soil health cards to farmers, Singh added. Speaking at the conference, Madhya Pradesh Chief Minister Shivraj Singh Chouhan said the state escaped adverse impact of global economic slowdown because its economy is primarily based on agriculture.

Madhya Pradesh's GDP clocked "spectacular" growth in the last eight years, expanding by 10 per cent or above due to spurt in agriculture activities, he said. Chouhan said nearly 65 per cent of the state's population is engaged in farming and efforts are being made to make the sector more productive and lucrative.

[Back](#)

Source

'Chalk out fool-proof insurance policy for farmers' - The Pioneer - 16th June 2015

Chief Minister Shivraj Singh Chouhan has laid emphasis on chalking out such a crop insurance policy under which farmers can be assured of minimum income even in contingencies and natural calamities. He said that insurance policy should be framed keeping in view farmers' practical difficulties. The Chief Minister was addressing inaugural session of a national conference on crop insurance here on Monday.

The Chief Minister said that crop insurance policy should totally eliminate risk for farmers. Agriculture is still the backbone of our economy. Every possible effort has been made in Madhya Pradesh to make agriculture profitable. Miraculous rise in state's agriculture growth rate has been possible through unprecedented expansion of irrigation facilities.

Reduction in cost, fair prices of farmers produce and compensation of loss to crop due to natural disasters is necessary for profitable agriculture. Loans at zero percent interest rate are being made available to farmers in the state to reduce cost. He said that rain-fed agriculture, which is still continuing, is affected by climate change. Every farmer can be made happy by covering risk for loss of his crop. Last year, relief worth Rs 3,300 crore was distributed to farmers whose soybean and wheat crops were affected by climate change.

The Chief Minister said that existing crop insurance schemes are impractical and not farmer-friendly. Much time is consumed in assessing crop loss under these policies. All non-loanee farmers and all crops must be covered under crop insurance scheme. There should be provision for relief to farmers even in case of failure of crop and drought. Insurance claims should be disposed of speedily. Relief should be deposited directly in farmers' bank accounts. There should also be provision to assess loss of farmers due to fall in prices of produce. Premium of the scheme should be affordable for farmers, he added.

Agriculture Minister Gaurishankar Bisen said that formulation of an ideal crop insurance policy is need of the hour to provide risk cover to farmers in times of crisis. He said that protecting farmers in the event of disasters is responsibility of both the State and Central governments. He said that the state has earned encomiums in the country by increasing wheat and milk production. He said that conferences on formulation of new crop insurance policy should be held in entire country so that Central government can also obtain experts' views regarding this. He added that Madhya Pradesh has made pioneering efforts for welfare of farmers, be it extension of facilities or distribution of liberal relief. The changes in national agriculture crop insurance policy as per changing times have become need of the hour.

Chief Secretary Anthony DeSa said that Madhya Pradesh has become crown of the country in agriculture sector due to concerted efforts of Chief Minister Shivraj Singh Chouhan. It has surpassed Punjab, Haryana in wheat production and states like Maharashtra and Andhra Pradesh in milk production. It is also ahead in production of Basmati rice. Agriculture growth rate has increased at unprecedented rate. He said that now historic initiative is being taken to formulate a new crop insurance policy in Madhya Pradesh to benefit farmers. He said that Chief Minister Shivraj Singh Chouhan has taken this initiative in view of lacunae in national crop insurance policy.

BJP Vice-President and in-charge of Madhya Pradesh Vinay Sahastrabudde, Chairman of Agriculture Cost and Price Commission Ashok Vishandas, Union Additional Secretary Agriculture AK Shrivastava, foreign countries'

Source

experts and representatives of insurance companies were also present. Joshua Madson, Chicago, Miguel Fusco, Argentina, Christopher Coe, Agriculture Head, Asia Pacific, Singapore, Leif Heimfahart, Germany, Henry Kannan, Switzerland and senior officers of the state government also attended the session.

[Back](#)

Product liability, recall covers may see rise in claims - Business Standard – 15th June 2015

Product liability covers and product recall covers might see a rise in claims with more risks set to come under inspection. Earlier, auto makers used to take these covers. But now, pharmaceutical and consumer goods firms, too, get these. The commercial general liability (CGL) policy for products and premises cover all costs the insured is to pay as damages as a consequence of accidental death, injury or disease to any third party. It also covers accidental damage to property belonging to a third party arising out of any defect in the product manufactured by the insured.

Sasikumar Adidamu, chief technical officer (non motor underwriting) at Bajaj Allianz General Insurance, explained that earlier, the awareness about liability covers was very low. Now even global entities ask these companies to take a back-to-back product liability cover, he added. Adidamu said CGL cover would include both premise and product liability risk. While a manufacturer would also have to cover his premise where the food product is manufactured, the supply chain or wholesaler would cover only product liability.

Product recall occurs if there is some defect in its design or operation that could cause harm/danger to the person(s) using it. It could also be performance related, pertaining to the fuel efficiency, braking or acceleration. This would also impact the warranty offered to these products. Last year, several auto companies had to recall their vehicles owing to faulty air-bags from a manufacturer.

Further, some insurers also offer add-on covers. These extend to cover liability arising out of liability in markets like the US and Canada, which are otherwise excluded in standard policies. Rakesh Jain, CEO of Reliance General Insurance, said that with a rise in incidents, there is an increase in consciousness among companies of the need to have these policies. “We expect more companies to come forward and take a cover.”

In product liability policy, the sum insured is referred to as limit of indemnity. This limit is fixed per accident and per policy period, which is called AOA (any one accident) limit and AOY (any one year) limit, respectively. K G Krishnamoorthy Rao, managing director and CEO of Future Generali India Insurance, said: “In the past few years, the liability claims are coming up. It was only auto sector, now others are also taking the cover.” Sanjay Datta, head of underwriting and claims at ICICI Lombard General Insurance, said with an increase in product standards, there will be an uptick in these covers and the claims under these insurance policies.

[Back](#)

Source

'Launch of insurance pool to set ball rolling on Haryana n-power project'- The Hindu Business Line – 13th June 2015

The India Nuclear Insurance Pool, launched earlier this week by General Insurance Corporation of India and 11 other non-life insurers, will help in going ahead with the development of the long-pending Gorakhpur Haryana Anu Vidyut Pariyojana (GHAVP) nuclear power plant in Haryana, Jitendra Singh, Minister of State for Atomic Energy, said on Saturday. “The GHAVP was supposed to be a pressurised heavy water reactor sanctioned by the previous Government. But it has met with several delays as tenders were not getting mature due to a lack of an insurance pool. But with the launch of the India Nuclear Insurance Pool, we are confident that the project will now finally move ahead,” said Singh.

“The GHAVP project will finally bring the participation of the northern states into the atomic energy mission of this country and will also help us achieve the target set by Prime Minister Narendra Modi of increasing our nuclear energy capability three-fold in the next five years,” he added. Singh, who is also the Minister of State for Development of the Northern Eastern Region (I/C), Prime Minister’s Office, Personnel, Public Grievances & Pensions and in charge of the Department of Space, was addressing a press conference on the achievements of the Department of Atomic Energy in the last year.

On Friday, GIC announced the setting up of the India Nuclear Insurance Pool with other Indian private and public sector non-life insurers. The pool also has a Rs. 600-crore contribution from Nuclear Risk Insurers of London.

R K Sinha, Secretary, Department of Atomic Energy, said despite the foreign contribution in the fund, there will be no foreign inspector inspecting the plants.

On the Jaitapur nuclear project, Sinha said the Government hopes to start the project soon but there is work still to be done. "First of all, technically and commercially the project has to be viable. As regards the technical issues, a pre-engineering agreement has been signed between Areva and NPCIL. Areva will provide a document for the plant according to our requirements. The second step would be to determine the commercial viability and ensure that the power generated from the plant is actually sold," he added.

Source

[Back](#)

Insurers may not pay for Nestle's losses - Business Standard - 12th June 2015

Nestle India, which announced the recall of Maggi noodles after states reported dangerous levels of monosodium glutamate (MSG) and lead in samples, had taken a commercial general liability (CGL) insurance cover. Hence, the FMCG major may not get insurance claims unless bodily injury is proved, since the cover usually only pays for those damages.

The CGL policy is a standard insurance policy issued to business organizations to protect them against liability arising from any bodily injury, property damage or personal injury liability. However, in this case only reported higher levels of some elements have been found and no injury has occurred.

"Unless there is any physical damage to any individual or any health ailments that are discovered after consumption of the product, compensation or claim is paid by the insurance company. Here, only the food regulatory authorities have found lead in some samples, which has not even been found nationally," said a senior general insurance executive.

An email sent to Nestle India did not elicit any response till the time of going to press. Nestle India today said it has approached the Bombay High Court to seek a judicial review of food safety regulator FSSAI's order over quality of its instant noodles. No legal proceedings have been initiated against Nestle India till now. However, even if there is compensation sought from it, industry sources said that the insurance cover would not automatically pay for it.

A product recall cover that compensates for losses when a company is required to recall a product for the market would have covered the costs in this case. However, the company has only taken a CGL cover for product and premise liability. This cover does not provide claims for recalling a product.

"Even large MNCs have not taken product recall covers and have opted only for general liability covers. Here, even there is a case seeking damages by the concerned authorities, the claim may not be paid unless an individual has faced adverse medical conditions due to the product consumption," said the head of claims at a large private general insurer.

General insurance companies offer insurance for product recalls by manufacturers. It covers product recall expenses, including advertising, as well as shipping costs and legal liability for recall. The premium for this cover depends on the size of the vehicle or product, brand and segment.

Product recall occurs if there is some defect in its design or operation that could cause harm/danger to the person(s) using it. It could also be performance related, pertaining to the fuel efficiency, braking or acceleration. This would also impact the warranty offered to these products.

If an auto company has taken a cover against recalls, the insurance company pays all the costs associated with the recall. If there is a large number of vehicles that are recalled and on regular intervals, the insurance company suffers a big loss owing to regular payment of these related claims.

Source

For FMCG companies, the product is recalled if there are any health hazards that are discovered due to faulty packaging or weather-related damages to the product that makes it unfit for human consumption.

Reinsurance

General Insurance Corporation Re eyes licence, drops bid to buy Lloyd's of London Member - The Economic Times – 16th June 2015

State-owned reinsurer General Insurance Corporation Re has abandoned its quest to buy a Lloyd's of London syndicate member and decided to apply for membership of the syndicate instead. Experts said with this decision the designated national reinsurer will lose out on growth opportunity in about 50 countries for a long time as it will take 18 months to get a licence and years to build a business.

"We are planning to apply for a licence to be part of the syndicate," said AK Roy, chairman and managing director of GIC Re. "We have called off our plans to buy a membership, which we pursued for over a year." Lloyd's of London is an insurance market in London's primary financial district the City of London.

GIC Re came very close to entering the Lloyd's of London market by acquiring Antares, owned by Lightyear Capital, but lost out to Qatar Insurance Company. Last year, it had acquired Johannesburg-based Saxum Re to expand its global footprint. It has a joint venture reinsurance company in Bhutan. The reinsurer operates through representative offices in several Asian countries such as the United Arab Emirates and Malaysia and has presence in Brazil and Russia. The company is planning to expand its footprint in the United States as well.

GIC Re reported a 22 per cent jump in profit before tax to Rs 2,693 crore during 2014-15. The reinsurer saw a 3.4 per cent increase in global premium of Rs 15,183 crore during the fiscal. About 46 per cent of the premium is underwritten from overseas business. The company's assets rose to Rs 78,093 crore at the end of March.

One of the reasons for expanding globally is the shrinking domestic business. Premium on insurance products is not adequately priced, leading to a decline in income from Indian business. Besides, general insurance companies are required to cede 5 per cent of every policy value to GIC Re from April 2013, down from 10 per cent earlier. The passage of the Insurance Bill has allowed Lloyds of London to set up a branch in India for the reinsurance business.

Source

[Back](#)

GIC Re ropes in UK's Nuclear Risk Insurers for nuke pool - The Economic Times – 13th June 2015

GIC Re, India's national reinsurer has succeeded in roping in a foreign player- Nuclear Risk Insurers (NRI), UK based Nuclear Pool- to launch its Rs 1500 crore Indian Nuclear Insurance Pool (INIP), a pooling arrangement to address exposures of nuclear operators and suppliers.

INIP will provide cover to both operators and suppliers of 26 nuclear plants of Nuclear Power Corporation (NPC) and is managed by GIC Re, 11 other domestic general insurers and NRI, the only foreign player to participate. UK's NRI will provided reinsurance support of Rs 500 crore which is replaced the expected funding support of the government which had earlier planned to contribute to the Pool.

There are 21 existing nuclear plants and five more are being added, said R K Sinha, chairman Atomic Energy Commission launching the Pool. He said that NPC's mandate is to triple the nuclear energy generation by 2022 from the current level of 4,750 MW. Officials from insurance industry said that NRI has demand a hefty premium for its reinsurance support of Rs 500 crore premium. "We are negotiation with the NRI on premiums," said a GIC Re official.

With this launch, India has joined an exclusive list of countries having Nuclear pools and the INIP will be 27th Nuclear Insurance Pool of the world managing nuclear liabilities and will address third party liability insurance under Civil Liability of Nuclear Damage Act (CLNDA) 2010 to begin with and later expand into property and other hot zone risk for which it will work in close co-ordination with nuclear power industry.

"Going forward, GIC Re as a pool manager shall strive to ensure that INIP develops into one stop facility for covering all Nuclear risks," AK Roy, CMD, GIC Re said. The premium for such covers have been kept low through an innovative floater mechanism wherein all the existing 26 nuclear plants would be covered by one master policy. For master policy, NPC will pay Rs 30 crore and Rs 3.5 crore for each of 26 plants, said senior official of GIC Re.

"With this, all the existing nuclear plants of the country can be covered within total premium of Rs 125 crore," said Y Ramulu, general manager, GIC Re adding that the Pool will ensure that insurance costs of the Nuclear Plants are kept bare minimum.

The New India Assurance will issue two kinds of insurance policies- Nuclear Operators Liability (CLND Act 2010) Insurance Policy and Nuclear Suppliers' Special Contingency (against Right to Recourse) Insurance Policy - to deal with management of cover to the operators and suppliers on behalf of all direct insurance companies participating in the pool.

The other general insurers are New India Assurance, United Insurance, National Insurance, Oriental Insurance, ICICI Lombard General Insurance, Reliance General Insurance, Tata AIG General Insurance, IFFCO -Tokio General Insurance, Chola MS General Insurance, SBI General, Universal Sompo General Insurance.

Source

[Back](#)

Nuclear insurance pool to issue first policy to NPCI next month - Financial Chronicle – 14th June 2015

India's nuclear insurance pool, launched on Friday, will issue its first policy to Nuclear Power Corporation of India (NPCI) in the first week of July. The premium is likely to be slightly more than 2 per cent. "We are discussing with the operator.

Worldwide the premium for nuclear pool is around 2 per cent. But we will be charging little more for expenses of the management, which are high as this is a new pool. Also, the spread is not available as there is only one client (NPCI). We have to build up the fund too," said Y Ramulu, general manager, General Insurance Corporation of India (GIC Re) told FC.

Policies offered would include a nuclear operators liability insurance policy and a nuclear suppliers' special contingency (against right to recourse) insurance policy.

The government has launched the Indian nuclear pool to the tune of Rs 1,500 crore, which is mandatory under the civil liability for nuclear damage act (CLND).

The pool formed by GIC Re and public and private non-life Insurance companies by collating their capacities will cover the nuclear operators liabilities under Section 6 of the civil liability of nuclear damage act, (CLNDA) 2010. The pool shall provide a risk transfer mechanism to the operators and suppliers to meet their obligations under Section 17 of the CLNDA 2010.

"The four public sector general insurance companies — New India Assurance, Oriental Insurance, National Insurance, United India Insurance — along with state owned reinsurer GIC Re have committed Rs 800 crore to the pool while private insurers (ICICI Lombard General Insurance, Tata AIG General, Reliance General Insurance, Chola MS General Insurance, IFFCO Tokio General Insurance, SBI General and Universal Sompo General) have brought in Rs 200 crore. The remaining Rs 500 crore has come from British Nuclear Insurance Pool, Ramulu said.

New India Assurance Company will issue the insurance policy and deal with the management of cover to the operators and suppliers on behalf of all direct insurance companies participating in the pool.

The INIP is the 27th nuclear insurance pool in the world managing nuclear liabilities and is expected to address third party liability insurance to begin with and later to expand to property and other hot zone risks (inside reactor areas) for which it will work in close coordination with the nuclear power industry.

The minister of state in the department of atomic energy, Jitendra Singh, said several projects, such as the long-pending Gorakhpur Haryana Anu Vidyut Pariyojna (GHAVP), that were held up in the absence of nuclear insurance pool, are now expected to move forward after launch of the pool. Clauses in the act, which give the operator the right to recourse and allow it to sue the suppliers in case of any accident, were seen as being a major hindrance to the growth of the nuclear industry. These concerns led to the formation of the Indian nuclear insurance pool.

Source

Survey & Reports

Majority of Indians shun home insurance: Bajaj Allianz - The Economic Times – 17th June 2015

Despite high awareness levels amongst Indians about home insurance, most do not have a home insurance cover, a recent survey by private general insurer Bajaj Allianz has found. Amongst the 1200 respondents, 75 per cent said they were aware of the importance of home insurance. However, only 30 per cent of them had purchased home insurance covers for either their home or its contents.

A significant majority of the homeowners polled - 64 per cent - regarded earthquakes and other natural calamities as the biggest risks their houses were exposed to, followed by fire (28 per cent) and thefts and burglaries (8 per cent). Insurers say that while enquiries regarding home insurance typically see a spurt after devastating catastrophies like Nepal earthquake, HudHud Cyclone in Andhra Pradesh and J&K Floods, homeowners tend to retreat into their shell once the memories of such calamities fade. As a result, few enquiries translate into actual sales.

Even amongst homeowners who had bought a home insurance policy, most seem to have taken the step due to nudge from their lenders. The study found that 60 per cent of home owners had purchased their home covers through banking and financial institutions as these institutions have offered them loans. The remaining 40 per cent purchased policies from agents and other sources. The survey was conducted in May 2015 across metro and non-metro cities including Delhi, Mumbai, Bengaluru, Pune, Jaipur and Chandigarh.

Source

[Back](#)

IRDAI Circular

Source

IRDAI released exposure draft on IRDAI (TPA-Health Services) REGULATIONS, 2015

[Back](#)

Global News

Indonesia: General insurance premiums grow in Q1 but at slower pace – Asia Insurance Review

Gross premiums in the general insurance industry in Indonesia reached IDR13.9 trillion (US\$1.04 billion) for the first quarter of this year, an increase of 9.8% compared to the same quarter the previous year, according to the General Insurance Association of Indonesia (AAUI).

The 2015 Q1 premium growth rate was slower than the 19.6% increase seen in 2014 Q1, said AAUI Executive Director, Mr Julian Noor, as quoted by the Antara News Agency.

Mr Julian pointed out that economic growth was slow at 4.7% in the first quarter of this year, affecting the general insurance industry. "General Insurance growth is always positively correlated with economic growth. This means that high economic growth will boost insurance growth, and vice versa," he said.

Meanwhile, gross claims in the first quarter of this year amounted to IDR8.1 trillion, an increase of 80.8% over the corresponding period last year.

On a brighter note, Mr Julian expects economic growth from April to June this year to have improved because government spending typically should start in the second quarter. However, in the second quarter of this year, motor insurance is expected to be under pressure due to the sluggish auto industry, "he said. Economic prospects for the third and fourth quarters of the year are expected to be better, he said.

For the month of June alone, Mr Julian said it could not be ascertained whether government spending would have an impact on the general insurance industry. However, the increase in public consumption before the Ramadan fasting month which begins today and the Eid festival next month is expected to give a boost to the insurance industry.

Source

Nepal: Life insurers have paid out 74% of quake claims to date - Asia Insurance Review

The nine life insurers operating in Nepal have so far settled 217 - or 74.3% - of the 292 claims received up to 12 June, in the wake of the devastating 25 April earthquake, according to data from the Insurance Board (IB).

Among them, Nepal Life Insurance Company has settled 97.5% of the total claims amounting to NPR20.14 million (US\$195,800), making it the insurer which has paid out the highest ratio of claims to date.

Quake claim payouts by life insurance companies are seen as better when compared to non-life insurers.

Till 12 June, a total of 16 operational non-life insurers had settled 1,605 — or 11.1% — of the 14,458 claims, according to the Insurance Board. The claims totalled NPR13.84 billion, of which NPR286.68 million have been settled.

The highest number of claims was received by Sagarmatha Insurance (2,234), followed by Siddhartha Insurance (1,464) and Shikhar Insurance (1,344).

Shikhar Insurance has settled 26.6% of claims worth NPR118.85 million, making it the best performer among non-life insurance companies.

Non-life insurers claim that the delay in submission of reports by surveyors is hindering the claim settlement process. There is also a lack of licensed surveyors in the country, in view of the scale of the destruction caused by the quake.

IB officials have previously estimated the total earthquake-related losses of non-life insurers at around NPR20 billion. Of this amount, losses of NPR5-6 billion may have to be borne by the insurers themselves and the rest by reinsurance companies located abroad.

Source

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