Insurance Institute of India
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INSUNEWS
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● Quote for the Week ●

"Be not afraid of anything. You will marvelous work. It is fearless that brings heaven even in a moment."

– Swami Vivekananda

INSIDE THE ISSUE

Insurance Industry

Indian insurance firms lag globally in digitisation: CII-PwC - The Economic Times – 13th August 2017

Indian insurance companies are lagging their global counterparts in increasing investment in digital technologies and will need to adopt technology required to launch products that meet customer needs, a study by industry chamber CII said on Sunday.

"Global average investment in digital technologies is increasing over the years, while the insurance industry in India is lagging, both in its level of digitalisation and its ability to realise financial returns on its digital investments," said a joint CII-PricewaterhouseCoopers (PwC) report.

The report on "Evolving Considerations for the Indian Insurance Industry" also said that with increasing smartphone penetration and internet access, insurance companies will need to adapt to the modern customer needs by adopting the new technological infrastructure.

"Insurers must adapt to new-age customers' needs, leverage on the explosion of data and digital footprint and the changing investment environment," the Confederation of Indian Industry (CII) said in a release here.

"Mobile adoption and internet trends under Digital India banner are bringing in a new generation of customers who are conversant and comfortable with using technology for their financial decisions. "It is important to adapt to strategies that align with these changing trends to stay ahead of competition," it added.

Leveraging low-cost digital distribution channels for sales and service is likely to play a significant role in helping insurance companies deepen market penetration, the report said. Moreover, simplification of processes will also lead to some degree of uniformity in the expectations of customers.

"There needs be a simplification of products in the areas of policy benefit, wording of policy, application process and the claim process," CII said. "The insurers could focus on 'One Need One Product' scenaroo, where customers are provided simplified products that cater to their specific needs," it added.

The report also said that with digitalisation, insurance companies should be wary of new methods of fraud. It stresses on three key areas relevant to the insurance sector - simple products and low-cost distribution, digitisation and fraud management, and broadening the investment horizon.

Source

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Osmania University signs MoU with 4 institutions – The Times of India – 9th August 2017

Osmania University on Wednesday signed four MOUs with various institutions to help its students excel in their respective fields.

One MoU was signed between Department of Sociology and National Association of African American Studies so that students get benefited from joint research activities. The second MoU was signed with Commerce and Insurance Institute of India to help commerce students in acquiring an additional qualification in Insurance along with their regular degree.

Source

Third MOU is signed for conducting Intellectual Property Rights (IPR) related activities and to conduct certificate courses. This was signed between UPE-CIPR- Center for Intellectual Property Rights and Patent Services, Osmania University and Confederation of Indian Industry (CII), Telangana. The last one was signed between CPMB and Genome foundation to help students learn more about DNA technology.

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New rules about unclaimed insurance money - Mint – 9th August, 2017

According to the Insurance Regulatory and Development Authority of India's (Irdai) circular, which was released on 25 July, unclaimed monies of insurance companies will move to the Senior Citizens Welfare Fund, which has been created by the government, after lying unclaimed for 10 years from the date it was payable to the policyholder or the beneficiary.

The government had created this fund Through the Finance Acts, 2015 and 2016, to promote the welfare of senior citizens, in which notified institutions have to transfer unclaimed monies. These institutions include: postal savings scheme and Employees Provident Fund schemes. In an amendment in April this year, the government also added insurance companies to this list.

Here we explain what unclaimed money in insurance is and what you can do to claim it.

What is unclaimed money?
Unclaimed amount is money that is due to policyholders or beneficiaries in the form of death claim, maturity claim, survival benefits, premiums refunds or indemnity claims—including accrued interest—but has not been claimed for more than 6 months since the settlement date.

Insurers can invest this money in debt products like money market instruments, liquid mutual funds and fixed deposits; and the investment income needs to be paid to the policyholder or beneficiary if she makes a claim in the future. Any penalty can be adjusted against this investment income. The insurer can deduct a charge from this fund to manage it, but the costs are capped at 20 basis points. In order to make your job easier, insurers now allow you to spot your unclaimed money on their websites, where you need to look under the tab titled unclaimed amount of policyholders. Click the tab and on the page that opens, enter the details such as name of the policyholder, policy number, Permanent Account Number (PAN), Aadhaar number and date of birth to know details of any unclaimed amount. The policyholder's name and date of birth are compulsory fields, whereas PAN and policy number can be optional. To save the insurers the trouble of putting out details of very small claim, the rules allow companies to publish details only if the unclaimed amount is Rs 1,000 or more.

How to claim
Once you have identified the money, you can approach the insurer directly or follow the steps listed on the website. To reduce unclaimed amounts, the regulator has made electronic payments mandatory with the exception of small premium ticket size of up to Rs 10,000. Also, the rules make it clear that even after 10 years, insurers will need to display information about any unclaimed amount of Rs 1,000 or more on their respective websites.

Source

However, policyholders and beneficiaries are eligible to claim the unpaid dues (unclaimed money) up to 25 years from the date of transfer of the same to the Senior Citizen's Welfare Fund. Do note that if no claim is made for a period of 25 years after the transfer, you will have to forfeit the money and it will belong to the government.

Back

Insolvency professionals for NPA cases rush to buy insurance for themselves – Mint – 8th August 2017

Insolvency professionals are rushing to buy insurance to protect themselves as they kick off the resolution process under the Insolvency and Bankruptcy Code (IBC). The only glitch—general insurers do not offer insurance for an insolvency practitioner and modalities are being worked out for at least 15 deals that are close to being finalized, said insurance companies and brokers.

An indemnity cover is meant for professionals to cover liability falling on them as a result of errors and omissions committed by them whilst rendering professional services. However, these are mostly availed by doctors, engineers, lawyers and chartered accountants.

In the absence of a specific product, the industry has two options, said Sasikumar Adidamu, chief technical officer (non-motor) at Bajaj Allianz General Insurance Co. Ltd. One is to incorporate an insolvency practitioner's liability as part of existing plans. The other is to create a new product, which is a time-consuming affair. "If you need to create a product, you need to get support of reinsurers and run the product through the regulator and get the product approved. We are pursuing both the options," said Adidamu.

The insurance industry sees an opportunity in this emerging practice. According to the Institute of Company Secretaries of India, over 100,000 cases (many of them pending with Debt Recovery Tribunals now) will be tried under IBC, leading to a spurt in the number of insolvency practitioners as well.

Currently, there are at least 100 cases being tried and the Reserve Bank of India (RBI) has identified 500 large stressed accounts in total that could go under IBC if banks fail to finalize a resolution plan within six months.

The need for an indemnity cover becomes essential as the insolvency professional can be held responsible for mismanaging the company.

In one case—that of Starlog Enterprise Ltd which was referred to the National Company Law Tribunal by ICICI Bank Ltd—the company successfully argued at the appellate tribunal that the insolvency resolution process (IRP) violated the code and some of its action resulted in loss of business from longstanding clients.

But insurance brokers such as Marsh India, which is currently working with several insurers to design an indemnity cover, believe insurers are themselves hesitant to provide a cover for insolvency professionals—since these are individual, whereas a different set of data points are needed to assess risk.

"When we talk to different stakeholders, what we see is that the biggest hitch is not with the product or risk, but since rules in India expect individuals and not professional services firms to do this work, it's difficult to estimate what kind of claims are going to come, where the claims are going to come from and what is quantum of claims," said Anup Dhingra, senior vice-president at Marsh India.

Another sticking point is the low amount of so-called deductibles that are currently being proposed.

Deductibles refer to the threshold limit only beyond which insurance would kick in. In other words, it's the skin in the game for the insured.

"In Marsh's experience, globally these policies carry meaningful levels of deductibles, but in India since insolvency practitioners are individually exposed, large deductibles may not be acceptable," said Dhingra.

That, in turn, makes it unattractive for insurance companies to provide this cover. In any case, according to a 2014 Federation of Indian Chambers of Commerce and Industry (Ficci) report, indemnity cover penetration in India is 0.04% of gross domestic product against 1.25% globally.

Even as insolvency professionals have started the resolution process under NCLT, they are taking sufficient precautions to ensure that potential damages are avoided.

"Currently, there is no personal indemnity cover for me. But if I become an Insolvency Professional Entity, or IPE, then that IPE will be covered under professional indemnity. We are, therefore, working on forming an IPE so that we come under the umbrella and get the insurance," said Dinkar Venkatasubramanian, insolvency professional at EY, who is in charge of Amtek Auto Ltd.

Source

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Over-regulation to blame for woes: Ex-IRDAI member – The Indian Express – 8th August 2017

Close on the heels of the finance ministry's warning to public sector general insurance companies for huge underwriting losses and their dependence on investment income for profits, a report co-authored by a former Member of the Insurance Regulatory and Development Authority of India (IRDAI) has blamed the regulatory framework and support system which tend to "over-regulate", high cost of compliance and less "development oriented" policies for the segment's woes. "The regulatory anchors relating to products, pricing, placement and promotion, outsourcing and many more under the banner of protecting policy holders interest, do not meet modern and global standards," said the report authored by H Ansari, former member, IRDAI, and Arun Agarwal, former Lloyd's India representative.

“The regulatory framework and support system tends to over-regulate (plethora of regulations with caveats, exception and quotas). Predictably, the cost of compliance is high and regulatory policy is less ‘development oriented’. The essential elements of ‘ease of doing business’ framework has not been incubated within the policy and regulatory framework to establish a credible, proportionate and supportive regulatory regime,” said the report which was submitted to the finance ministry, Niti Aayog and IRDAI.

Enlisting the growth barriers, the report explained that currently the regulations are prescriptive and rule-based, and often there is carping on ‘market not mature’ and ‘data not adequate’. Private players reported underwriting losses of Rs 2,500 crore in FY2017 while losses of PSU insurers were Rs 10,800 crore. Stating that the liberalised Indian insurance industry needs a comprehensive over-haul across the segments to boost its performance, they said the lack of profitability and underwriting disciplines mean that the right talent is not attracted and there is virtually no research in lowering the risk thresholds. The capital accumulation is not enough to fund more growth and the fresh capital is not easy to get — internal accruals, public listing, external borrowing or equity – all of which demand greater control and improved performances. “This results in India remaining poorly and inadequately penetrated. Converting into a virtuous cycle is both a challenge and opportunity,’’ they said in the report “A Transformative agenda for the Indian insurance industry and its policy framework”.

In a letter to the chiefs of PSU non-life insurers recently, the Department of Financial Services said, “it has been brought to the notice of this department that the public sector general insurance companies (PSGIC) are violating government advisories leading to huge underwriting losses. As a result, these companies are solely dependent upon the investment income (profit from sale of investment).”

These are limited investments and are fast depleting as a result of indiscriminate disposal by the companies to make up for the losses on underwriting premiums, the DFS letter said.

The report points out that the industry too has strengthened the current intrusive regulatory mechanisms with investment-led rather than underwriting-led profits — with life insurance industry delivering returns below the cost of capital for years and non-life insurance industry having the highest combined ratios across developed and emerging countries for the last many years.

Source

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Insurance Firms Use Health Plans to Grow Numbers – The Economic Times – 7th August 2017

Life insurance companies have latched on to health as the fastest way to grow. In the past six months, the number of products that offer special cover for heart disease and cancer treatment have more than doubled. Recently, three companies including ICICI Prudential Life, Birla SunLife and Aviva Life have launched health insurance products catering to specific illness.

ICICI Prudential Life's ICICI Pru HeartCancer Protect, for instance, pays part of the insurance cover to the customer on diagnosis of a heart ailment or cancer. Customers can choose the type of cover, either for heart or cancer, or have the option to purchase both.

“Health insurance forms a small part of our premium income as of now,“ said Puneet Nanda, executive director, ICICI Prudential Life Insurance. “We expect growth rate for protection to be higher and are focusing on growing the overall protection segment.“

Health insurance makes up around 25% of the general insurance industry while it is less than 5% of the life insurance industry.Heart ailments and cancer together account for over 50% of health problems among Indians, said Nanda.

Similarly, Birla SunLife's CritiShield Plan offers three types of benefits: cardiac benefit, renal benefit and comprehensive benefit. In cases of both (cardiac and renal), at the diagnosis of an early stage cardiac or renal condition, 30% of the sum assured will be paid to the life insured, and at the diagnosis of a major stage cardiac or renal condition, 100% of the sum assured is paid.

Aviva's Heart Care product provides coverage against 19 mild, moderate and severe cardiovascular conditions, and procedures and allows lump sum payout irrespective of the treatment cost. “Indians are prone to heart ailments due to multiple factors including genetics, unhealthy diet, sedentary lifestyle, stress etc, making it the Cardio Vascular Disease capital of the world,“ Aviva stated in a report.

According to reports, heart attacks and chronic kidney disease comprises the top-10 causes of death in India. Medical research shows that India has the highest rate of cardiac arrests in the world with around 2 lakh heart surgeries conducted every year. Cancer cases are expected to rise by 25% by 2020. Every 13 new cancer patient is from India, show ICICI Prudential data.

"People are buying products for illnesses that are discomforting to them," said Sanjay Datta, head of underwriting, ICICI Lombard General Insurance. "There are products covering several critical illnesses for years but now companies are launching single critical illness products as well."

Source

While cost of treating a heart attack can cost between Rs.2.8 - Rs.10 lakh, the expenses for a kidney transplant can be Rs.4.2 - Rs.6.9 lakh states a Birla Sun Life report.

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Insurance Regulation

IRDAI may introduce risk-based capital norms for insurers – The Hindu Business Line – 9th August, 2017

The Insurance Regulatory and Development Authority of India (IRDAI) may soon introduce risk-based capital (RBC) method for fixing the solvency ratios of insurers. An expert panel appointed by the authority has recommended moving to the RBC method as the present system "is not sufficiently transparent or risk-focussed to adequately reflect the true financial conditions of the insurance companies."

Currently, the solvency capital is fixed based on the reserves and the sum at risk for the life insurer.

"The drawback of the current solvency method is that the level of confidence provided by the capital held by the companies is not known. So the capital held may be too high or too low given the risk profile of the companies," said the panel in its report.

The RBC method, on the other hand, is risk-focussed and follows the standards adopted in developed countries.

With greater transparency on risks, it will facilitate comparisons across insurance companies, providing information such as the financial strength of the insurers. This will help in early and effective intervention by the regulator, if necessary.

Roadmap

The implementation, however, may not be easy. The panel has recommended a "Twin Peak" approach whereby the current reporting structure would continue with the new system operating in parallel. The insurance companies had sought this arrangement for at least two years.The panel puts the timeframe for full implementation of RBC at "a minimum of three years". The immediate step for the regulator will be to set up a project steering committee to hire consultants.

Source

The reforms in solvency capital norms assume more significance in the wake of the recent crisis at Sahara India Life. After noticing alarming irregularities, the IRDAI took over the insurer's administration and liabilities, which were later acquired taken over by ICICI Prudential Life Insurance. On IRDAI's views on the panel's recommendations, a senior official said: "The authority will take a decision after reviewing the opinion of all stakeholders."

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IRDA asks insurance companies to cut costs, hints at cap on expense ratio – Mint – 8th August, 2017

Insurance Regulatory and Development Authority of India (IRDA) chairman T.S. Vijayan on Monday hinted at an imminent cap on insurers' expense ratio, a move that may force insurance firms to reduce the commission paid to agents, offer customers more affordable products and curb misselling. While speaking at the annual insurance summit organized by the Confederation of Indian Industry (CII), Vijayan urged insurers to start offering cost-effective insurance policies to customers rather than incentivizing insurance agents with commissions and focusing only on increasing profitability.

"The cost has to come down," Vijayan said.

"We have an insurance information bureau which analyses various ratios and provides bigger data about the industry. I really want insurers to use the analytics of this bureau. There may be a time when IRDA may put some kind of cap on the expenses of managements. It may not happen immediately, but eventually it may happen. So, insurers have to start working on cost-effectiveness now," he added.

The expense ratio in the insurance industry is a measure of profitability calculated by dividing the expenses associated with acquiring, underwriting and servicing premiums by the net premiums earned by the insurer. The expenses can include advertising, employee wages and commissions for the sales force.

High expense ratios have been a concern for India's insurance industry for about a decade.

According to a June 2016 analysis by Willis Towers Watson, the overall expense ratio for the life insurance industry (excluding Aviva Life, Sahara Life and Bharti AXA Life) dropped from 16.3% in 2014-15 to 15.5% in 2015-16 as concerted efforts are being made towards expense rationalization. "The size of the company also appears to be a driving factor contributing to an insurer's overall expense levels, indicative of economies of scale achieved. Amongst the top five private insurers, ICICI Prudential Life, SBI Life, Max Life and Birla Sun Life have recorded an improvement in their expense ratios compared to 2014-15. It's noteworthy that state-owned LIC (Life Insurance Corp. of India) continues to maintain the lowest expense ratio of 8.5% in the industry," it said.

Source

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IRDAI working with govt to create a simple platform for KYC – The Hindu Business Line – 7th August 2017

The Insurance Regulatory and Development Authority of India (IRDAI) today said that though Aadhar is not a mandatory requirement for Know Your Customer (KYC) in the insurance sector, it is the most simple form of KYC document.

"We are also working with the government for very simple KYC. But what can be simpler than a Aadhar," IRDAI Chairman T S Vijayan told reporters on the sidelines of CII's 19th Insurance Summit here.

Talking about Life Insurance Corporation's (LIC) shareholdings in listed companies, Vijayan said regulation for investment is 15 per cent, and in exceptional circumstances exemptions are given to invest more.

"All the investment should be for the benefit of policy holders and investors and the companies should not be locking the money in and they should use the funds for the policy holders. Regulation is 15 per cent, and when someone asks, in exceptional circumstances, we will give them some exemptions. Sometimes we give them liberty to invest more. At some point of time we advice them to bring it down to 15 per cent," he noted.

Talking about distribution, the regulator urged the industry to strengthen distribution saying there is a need for merging technology with human touch. "We have to understand that more than 20 lakh people get their income from distribution. Even if technology is adapted extensively, insurance products distribution needs a human touch," he said.

"However, one has to understand that the agent requirement and growth depends on the company's growth strategy," he added.

LIC Chairman V K Sharma, who was also present at the event, said only technology cannot prevent the incidents of frauds. Speaking about digitisation and frauds, he said, "Only digitisation and technology cannot solve the problem of frauds. As technology advances frauds also go up. We have to develop digital and human matrix capturing individual behavioural data to prevent frauds."

Source

Back

IRDAI cautious on PEs floating insurance cos – The Times of India – 7th August 2017

Startups aspiring to be in the insurance space with private equity (PE) backing will need a `fit and proper promoter' -who has the ability to invest capital for long-term growth, the Insurance Regulatory and Development Authority of India (IRDAI) has said. The statement comes at a time when the insurance regulator has received two proposals with majority funding from PEs. "We have received a co uple of proposals from private equity companies. We have not made up our mind.We would like to see the face of the person investing and whether he is in a position to support the company for a longer term of 8-10 years. Whether the person is fit and proper? Or whether there is someone hiding behind a fund?“ said IRDAI chairman T S Vijayan. He was responding to a query at the 19th CII Insu rance Summit in Mumbai.

Acko is one of the proposed non-life companies that is backed by PEs, including Narayana Murthy's Cataraman. The second company is a proposed health insurance firm promoted by former PNB MetLife CEO Rajesh Relan backed by Arth Capital and Macquarie investment fund. Vijayan said that there was scope for a lot of small insurance companies today with focus on specific geography or area of operation. “What you need is capital and cost structure to support it. If you want to float a small company, you cannot pay a CEO six-digit salaries,“ said Vijayan.

Speaking at the summit, Vijayan said that the insurance industry had a significant hold over the economy with more than Rs 5 lakh crore of total premium mobilised in FY17 and over Rs 32 lakh crore of assets under management.However, the performance of the industry needs to be measured in terms of number of individuals covered during a national disaster.

Source

Back

Telematics can cut insurance cost for good drivers, says irda – The Pioneer – 7th August 2017

Motor insurance premium in future may be determined through black box-based real-time monitoring of driving habits, vehicle usage and even distances covered, as per a proposal mooted by regulator Irda. Inviting public comments, it has sought to know among other issues, as to why should a careful driver who doesn’t cover many miles and drives predominantly during offpeak hours should pay the same premium as the one who drives recklessly?

At present, motor insurance in India is being priced based on parameters like the ‘make and model’ of the vehicle, its capacity, and the geographical use. “There are a variety of driving habits of customers and usage of vehicles also varies widely because of many factors like new forms of transport, demographic shifts, whether one is driving one’s own car or somebody else’s etc,” Irda said while floating the concept of ‘telematics’ to determine motor insurance premium.

Telematics is about integrated use of telecommunications and IT for vehicles. It is used for real-time navigation, roadside assistance, and vehicle tracking. Telematics insurance is also known ‘Black Box Insurance’, ‘GPS Car Insurance’, ‘Smart Box Insurance’, ‘Pay-as-you- Drive-Insurance’ and ‘Usage Based Insurance’, among others.

The technology was introduced in the UK and USA in 2000 and cost is gradually is falling due to smart phone technology combined with an easier and cheaper installation process. Italy and South Africa too are using the concept. In its discussion paper on which comments have been invited till September 8, Irda that in the context of motor insurance, ‘Telematics’ is “today a much talked about concept as it enables a more scientific methodology for pricing, apart from having certain advantages for the insured, insurer and the society as a whole”.

Irda said Telematics Insurance works by fitting a vehicle with a small device—commonly known as a ‘black box’ that records speed patterns and distance travelled. It also records data about the type of road/s the driver is driving on and when (whether night or day or during the weekend) and how long he has been driving. Once implemented, the system could see reduction in premium paid by “a careful driver who doesn’t cover many miles and drives predominantly during offpeak hours”.

Source

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Life Insurance

Life insurers’ new biz premium up 47% to Rs 20,428-cr in July - The Financial Express – 15th August 2017

The new premium of life insurance companies increased by 47.4 per cent to Rs 20,427.68 crore in July, data from sector regulator Irdai shows. Comparatively, all the 24 life insurers in the country had earned Rs 13,854.44 crore as insurance premium from new business in July 2016. Countrys largest and the only public sector insurer LIC reported an increase of 51.4 per cent in premium during the month at Rs 16,254.91 crore as against Rs 10,737.92 crore in July 2016. For the rest 23 private sector players, the total business premium last month increased 34 per cent to Rs 4,172.76 crore from Rs 3,116.52 crore, the Insurance Regulatory and Development Authority of India (Irdai) data showed.While SBI Lifes premium income rose 25.3 per cent to Rs 847.91 crore, ICICI Prudential Life earned new premium income of Rs 759.08 crore, up 34.2 per cent from July 2016.

HDFC Standard Life reported an increase of 68.8 per cent at Rs 880.29 crore as against Rs 521.43 crore in the year-ago period. Birla Sun Life witnessed a rise of 57.2 per cent at Rs 195.61 crore and Canara HSBC OBC Life stood at Rs 99.87 crore, up 75 per cent from the year-ago period.

Sahara Lifes premium income showed no value against Rs 2.27 crore in July 2016. Cumulative premium collection by all insurers during April-July of 2017-18 rose 18 per cent to Rs 53,659.66 crore from Rs 45,247 crore in the same period last fiscal, according to the data.

Source

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General Insurance

Include bank locker in home insurance – Business Standard – 17th August 2017

Finance Minister Arun Jaitley recently informed the Rajya Sabha that banks are not liable to compensate customers, in case goods in the lockers are lost due to theft burglary or a natural calamity. At the same time, Minister of State for Finance Santosh Kumar Gangwar said that nearly Rs 180 crore was lost in 2,632 cases of robbery, theft, dacoity and burglaries at 51 banks in the past three years (2014-15 to 2016-17).

“As banks don’t ask you for contents of the locker, they are not responsible for its loss. The relationship between the two is like landlord and tenant. The landlord is not responsible for theft inside the house of a tenant,” says Atrey Bhardwaj, head, general insurance at BankBazaar. He suggests, “It’s, therefore, necessary for the individuals to look for options that protect their belongings.”

One option is to go for a home insurance policy that also covers valuables kept inside the bank locker. But be sure to understand the caveats in these policies. These plans cover only valuables such as precious metal jewellery (including watches), diamonds, work of art and curios. If you have important papers or cash or any other valuables, there’s no insurance available.

For valuables below a certain limit, the insurer may ask you to give a self-declaration on the market value of the bank locker content. Insurers allow self-declaration as there could be jewellery that’s passed from one generation to the other and customers may not have bills for it. In Bajaj Allianz’s My Home Insurance All Risk Policy, for example, the limit is Rs 10 lakh. If the market value of your goods crosses the threshold, you need to get a valuation certificate from a recognised valuer compulsorily.

The premium cost for the jewellery and valuables depends on the proposed value for insurance. If sum insured for jewellery and other valuables is Rs 5 lakh, the premium payable would be Rs 4,000 for India and Rs 5,000 for worldwide. Taxes will be extra.

When insuring your valuables, it always better to get valuation certificate from an insurance company-approved valuer, irrespective of the value of your belongings. It will help in case of claims. “In case of contents that come with a certificate, the insured can get full value if there’s a total loss,” says R Suresh Nair, head-product development, Bajaj Allianz General Insurance.

If you give a self-declaration, the insurance premium would vary, depending on how the price of the gold or diamond changes every year. In case of valuation certificate, the premiums remain constant.

Some insurers also put sub-limits. The maximum cover may be, say 25 per cent of the total sum insured. It means if the contents cover for all home insurance product (including gadgets, home appliances, etc) is Rs 5 lakh, jewellery worth only Rs 1.25 lakh will be covered.

If you have limited things to take care of, one option is to go for a safety vault inside your own house. Safety vaults come in many options depending on your need. They can be anchored to the wall or fitted into the flooring and are available at a one-time cost of Rs 8,000-50,000.

Source

General insurance companies register 9% growth in July - The Financial Express – 15th August 2017

General insurance companies continued to register positive growth at 9% (year-on-year) in gross direct premium in the month of July. However, compared to the first three months of the current financial year, when the growth was in double digits, sales slowed down in July largely due to negative growth in three large public sector insurers. The data from Insurance Regulatory and Development Authority of India (Irdai) show that, in the current financial year, gross direct premium underwritten by the industry was Rs 43,077.03 crore compared to Rs 36,294.29 crore seen in last fiscal – a growth of around 18.69%.

In the first four months of current financial year, private sector insurers grew at 24.69% and received Rs 19,558.28 crore in gross direct premium.

While, public sector insurers saw lower growth compared to their private sector peers at 11.47% and receiving Rs 20,748.75 crore in gross direct premium in April-July. However, in July, New India Assurance, United India Insurance and Oriental Insurance saw negative growth in the range of 7-11%.

"July was a weak month compared to the first three months of this fiscal as overall business environment was dull. However, with around a combined market share of around 48%, we hope to bounce-back soon. In terms of segment, only motor and health continued to remain top segments for us in July," said a senior official of a leading public sector insurer. New India Assurance remains top player with a market share of 16.22% as on July, 2017.

Source

Among the private players, ICICI Lombard leads at a market share of 10.05%, followed by Bajaj Allianz at 5.93% and HDFC Ergo at 4.99%, show data from Irdai. In July, gross direct premium underwritten by the industry was Rs 9,791.05 crore compared to Rs 8,975.35 crore seen in last July.

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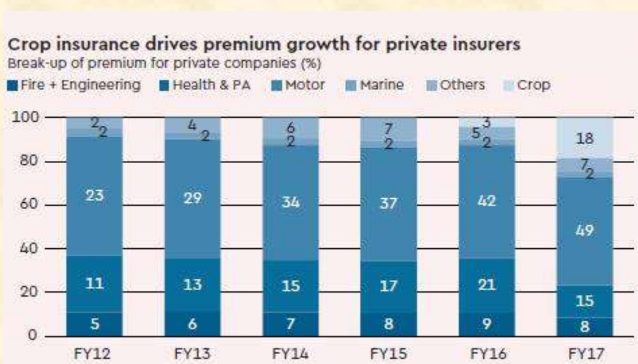
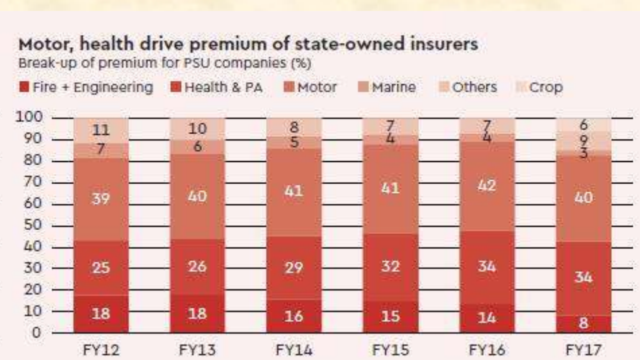
In Graphs: General Insurance industry reports highest 32% y-o-y growth in premium collection - The Financial Express – 12th August 2017

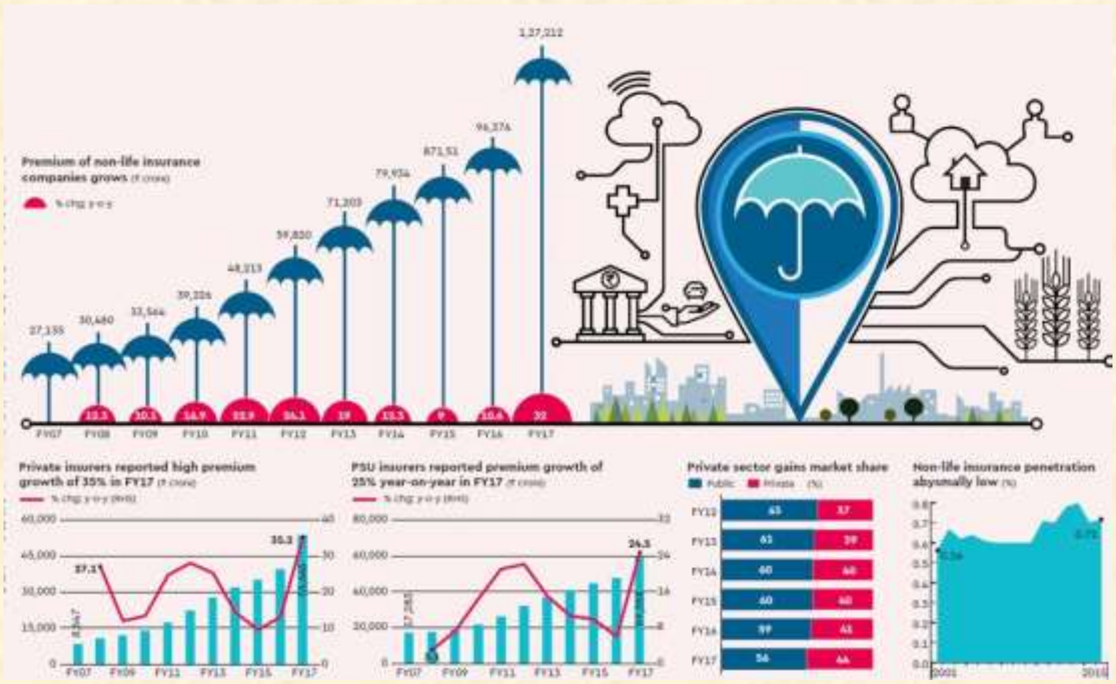
The general insurance industry reported its highest-ever year-on-year growth of 32% in premium collection in FY17 because of crop insurance. And in July, for the first time, private sector non-life insurance companies moved ahead of the four state-owned companies in premium collection.

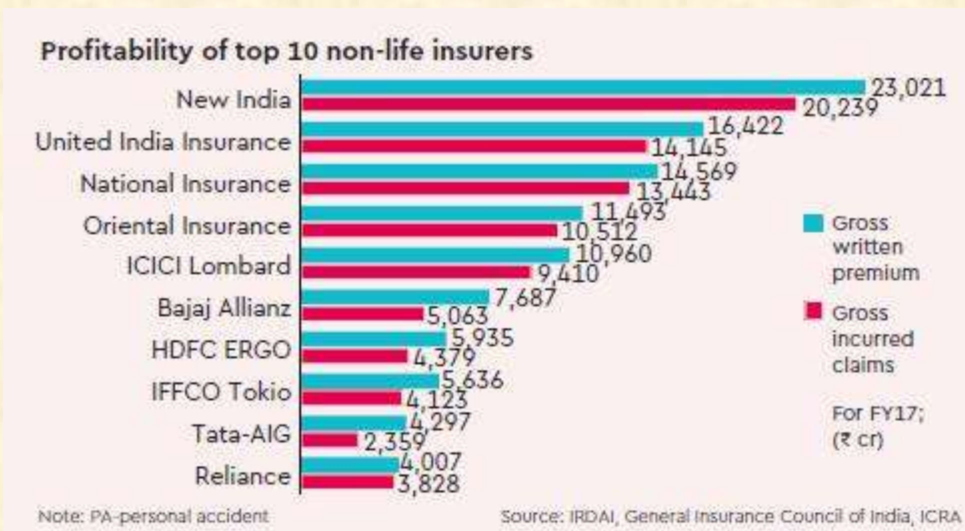
In FY17, private sector general insurers reported smart growth of 35%, driven by crop insurance as they had 73% share in crop insurance business. The government's focus to improve acreage under insurance will continue to drive volumes. State-owned companies reported lower growth of 24.5%. Motor insurance remains the largest segment with 44% market share, followed by health and personal accident cover.

However, despite strong demographic profile, the penetration of general insurance is still abysmally low at 0.72% of GDP. In terms of profitability, private insurance companies have lower claims ratio than state-owned companies.









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Non-life insurance companies' premium up 9% in July - The Hindu Business Line – 10th August 2017

The total premium of non-life insurance companies saw an increase of nine per cent at Rs 9,791 crore in July when compared with Rs 8,975 crore in July 2016, according to the data provided by the insurance regulator. Of the total premium underwritten by general insurance companies during the month, public sector organisations garnered Rs 4,213 crore, which was lower than Rs 4,502 crore that they collected in a year ago month.

Private players mobilised about Rs 5,140 crore during July this year, according to Insurance Regulatory and Development Authority of India (Irdai).

Among the four public sector companies, only National Insurance Company achieved positive growth during the month. It clocked a total premium of Rs 1,123 crore as against Rs 1,067 crore.

Though it retained top position, New India's total premium for the month saw a decline of 11 per cent at Rs 1,315 crore.

United India Insurance's total premium stood at Rs 1,096 crore (Rs 1,220 crore). Oriental Insurance garnered Rs 679 crore as against Rs 732 crore.

In private sector category, ICICI Lombard topped the table with a total underwritten premium of Rs 1,010 crore, which was higher by 11 per cent when compared with Rs 910 crore in July 2016.

Bajaj Allianz and HDFC Ergo General mobilised Rs 590 crore (Rs 598 crore in July 2016) and Rs 452 crore (Rs 320 crore) respectively.

Combined premium of five standalone health insurers grew to Rs 552 crore when compared with Rs 385 crore.

For April-July 2017 period, the total non-life insurance premium collected by private and public insurers grew by 19 per cent at Rs 43,077 crore (Rs 36,294 crore).

Source

Public sector companies had a combined market share of 48 per cent. Private sector non-life companies had a total share of 45 per cent.

Back

India: Vehicles without clean pollution certificates to be denied insurance – Asia Insurance Review

The Supreme Court has directed that motor insurance renewals are not to be allowed without a valid Pollution Under Control (PUC) certificate for all types of automobiles, in a move to crack down on polluting vehicles.

The Court ordered insurance companies to refuse renewal applications for vehicles without pollution certificates. It accepted the recommendations of the Environment Pollution (Prevention and Control) Authority (EPCA) to ensure mandatory linking of the PUC certificate with the issuance of annual vehicle insurance policies, reported The Times of India.

The Court acted on a report prepared by the EPCA that showed a very poor level of compliance with the PUC programme.

In Delhi, only 23% of vehicles are sent for PUC tests. With mandatory linking of vehicle insurance with the PUC certificate, the compliance level can improve significantly, especially as the Supreme Court has directed its enforcement nationwide, the Centre for Science and Environment (CSE) said. The Court also directed that PUC centres be established at all fuel stations.

To improve the effectiveness of the PUC programme, the bench of judges also directed that PUC centres to be linked online and a data centre set up to prevent manual tampering. Currently, the system is seen as plagued with corruption, improper testing and non-functioning equipment;,fake certificates, lack of qualified PUC operators, and poor enforcement of calibration requirements for testing equipment. The new directives can help to improve compliance and management.

Source

India has several cities rated as worst in the world for air pollution. For example, the annual average PM2.5 concentration in Delhi is typically more than 10 times the US National Ambient Air Quality Standard of 12 micrograms per cubic metre.

Back

India: Govt report endorses use of climate insurance tools – Asia Insurance Review

The government's Economic Survey has suggested the use of climate insurance instruments to counter losses which the country faces each year due to extreme weather events.

The second volume of the Economic Survey 2016-17 notes that India suffers extreme weather losses of US$9-10 billion annually, of a significant part is uninsured, reported LiveMint.

The survey said innovative products supported by risk models and reinsurance pools can provide a huge opportunity to the insurance industry.

"One such model is that of Catastrophe Risk Pool (CRP) that aims to put the focus on proactive financial planning to deal with adverse impacts of natural disasters, instead of relying on fund-raising efforts after disasters, resulting in reduced economic losses as well as lowering the impact of disasters on the national budget," the report said.

The Survey says that low insurance penetration in India was evident from data on recent calamities, a case in point being the 2014 Kashmir floods. While the total losses caused by unprecedented rains were in excess of INR1 trillion (US$15.6 billion), insurance companies were required to pay only around INR40 billion because of low insurance coverage.

In addition, while total losses from 2014's Cyclone Hudhud reached $11 billion, insurers paid a bill of $650 million. In India, climate-related insurance is limited to the agriculture sector, primarily in the form of crop insurance.

"We need to have a rational approach that balances environment, climate, economic development and energy security needs. We need to concentrate on cleaner forms of energy including cleaner coal, renewables and natural gas to fuel inclusive economic development," the Survey also said.

Source

Back

Reinsurance

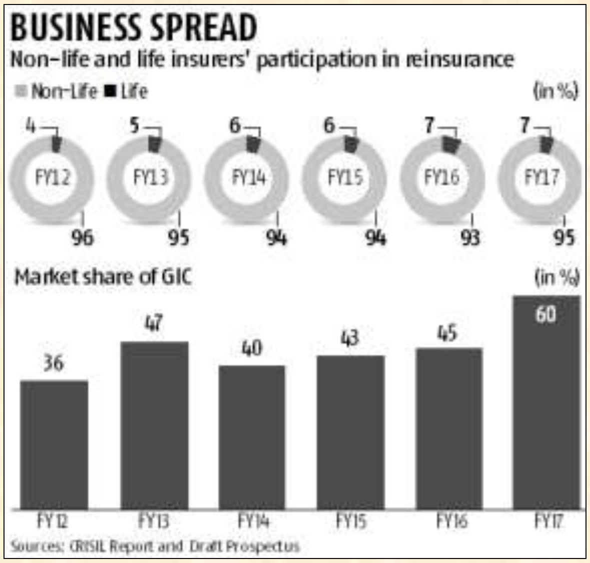
GIC Re to broad-base premium streams – Business Standard – 10th August 2017

As a step to broad-base its revenue streams, General Insurance Corporation (GIC Re), the government owned general reinsurer which has filed a draft red herring prospectus with the Securities and Exchange Board of India (Sebi) for a public issue, plans to increase its income from health insurance, property and life insurance segments.

Currently, 95 per cent of the GIC's premium income comes from the non-life insurance segment. With non-life premiums seeing a sharp jump in the year ended March 2017, GIC Re registered an 82 per cent growth in income to Rs 33,741 crore from Rs 18,534 crore in 2015-16.

Elaborating on its business strategy, GIC Re said in the prospectus that the company had intentions to build overseas fire (property), space and cyber security businesses in the coming years. GIC's reinsurance written outside India constitutes 30.53 per cent of its total business in FY 17. Now, the company is looking to expand its presence in select overseas geographies and markets to continue its growth in reinsurance business.

Besides broad-basing revenue streams, the state-owned reinsurer also has to worry about the competition from foreign players who have been allowed to operate in the country. GIC has accounted for 60 per cent of the premiums ceded by Indian insurers to reinsurers.



Till 2016, GIC was the sole reinsurer for the Indian market. But, after the insurance regulator permitted the entry of eight foreign reinsurers like Swiss Re, Munich Re and Lloyds to operate in India, the size of the Indian reinsurance market was estimated at Rs 38, 800 crore in FY17. According to CRISIL research, reinsurance premiums in India are projected to increase at 11-14 per cent CAGR (compound annual growth rate) over the next five financial years to touch Rs 70, 000 crore by FY22.

GIC has always enjoyed the first preference to participate in the reinsurance business from Indian reinsurers. However, the insurance sector regulator, Insurance Regulatory and Development Authority of India, has said private and foreign reinsurers have been accorded the same preference as GIC. This will adversely affect GIC's business and its financial condition.

While the public listing would increase the company's visibility, it would also bring into sharp focus the issues of corporate governance and the role of government in business decision-making. Ashvin Parekh, managing partner at Ashvin Parekh Advisory Services LLP, said listing would give a push to strengthening governance at the company. While there were internationally listed reinsurers like Swiss Re and Munich Re, there would not be a benchmark available in India as no reinsurer was listed on domestic bourses, he said.

Source

Back

Survey & Reports

Households investing more in insurance, mutual funds, pension schemes: RBI study - The Indian Express – 16th August 2017

Households in India are stepping up their investments in insurance, mutual funds and retirement funds, according to a study by the Reserve Bank of India (RBI).

"Households' assets with other financial corporations (OFCs) increased sizeably reflecting diversification of household investments in life insurance, retirement funds and mutual funds. However, as in the past, the bulk of the liabilities of households was owed to ODCs (other depository corporations)," said the RBI study on 'Flow of accounts of Indian economy'. The share of ODCs in uses of funds of households (mainly commercial bank deposits) declined due to reduction in bank deposit rates and higher demand for currency assets, it said.

The financial surplus of the household sector improved further in 2015-16, it said. Deposit-taking non-banking finance companies (NBFCs) are classified together with banks under ODCs.

According to the RBI study, compositional shifts in the instrument-wise flow of funds were evident in 2015-16. Currency and deposits, which have been historically the most preferred financial instruments were replaced by debt securities. "In terms of acquisition of financial assets, the composition of instruments changed significantly with equity instruments turning out to be the most favoured instrument, followed by loans and borrowings," it said.

Financial assets of ODCs declined during 2015-16, largely on account of deceleration in credit to NFCs (non-financial corporations) and OFCs, even as credit flow to households and non-profit institutions serving households (NPISHs) increased noticeably, the RBI study said. The composition of financial assets of the ODC sector also tilted towards debt securities, reflecting risk avoidance due to deterioration in asset quality, it said.

The RBI study said financial liabilities of OFCs declined in 2015-16 on account of contraction in the liabilities of non-deposit taking NBFCs, decline in assets under management with mutual funds and lower gains recorded on the investments of insurance companies. One peculiar feature is that a dominant portion of OFCs' liabilities are intra-sectoral, which are effectively raised from the household sector through insurance, provident and pension funds, and units of mutual funds, it said.

Debt securities emerged as the most dominant instrument of acquisition of financial liabilities, while equity turned out to be the most favoured instrument for acquisition of financial assets, the RBI said. In the financial sector, liabilities of ODCs during 2015-16 came down mainly due to lower overall deposits, while those of OFCs contracted mainly on account of valuation changes. For non-financial corporations, the resource deficit of private non-financial corporations continued to decline, benefitting from sustained softening of global commodity prices. By contrast, the resource gap of public NFCs widened, mostly on account of lower revenue growth, it said.

On the financial assets side, foreign currency assets invested in debt securities expanded with an accretion of $15.9 billion to the foreign exchange reserves.

The Reserve Bank's investments in central government debt securities increased significantly, providing the wherewithal for sterilisation operations in the context of heavy capital inflows, the RBI study said.

Compositional shifts were observed within the total liabilities of ODCs during 2015-16. The role of deposits declined in importance as flows from households remained stagnant and deposits from the general government sector contracted, while loans from OFCs increased significantly.

Source

Deposits of the NFC sector increased further in 2015-16, reflecting easing of resource pressures. Equity liabilities of ODCs also increased with capital infusion by the Union Government and capital raising by private scheduled commercial banks to meet the Basel capital requirements, the RBI said.

Back

Indian insurance sector lags in digitisation: report – The Hindu Business Line – 7th August 2017

Globally, insurance companies are increasing investment in digital technologies, but Indian firms are lagging behind, a report said.

"Global average investment in digital technologies is increasing over the years, while the insurance industry in India is lagging, both in its level of digitalisation and its ability to realise financial returns on its digital investments," a CII-PwC report on 'Evolving considerations for the Indian insurance industry' said.

With increasing smartphone penetration and internet access, insurance companies will need to strategically adopt the technological infrastructure required to launch products that meet customer needs, it said.

Moreover, leveraging low-cost digital distribution channels for sales and service is likely to play a significant role in helping insurance companies deepen market penetration, it added.

Simplification of process will also lead to some degree of uniformity in the expectations of customers in their interactions with multiple insurers, it said.

Instead of all risk products, people are demanding simple one-risk cover products, which are easy to understand and allow customers to choose discrete individualised need-based covers, it added.

The report also said that with digitalisation, insurance companies should be wary of new modes of fraud.

Source

Low-cost digital distribution channels for sales and service will play a significant role in helping insurance firms deepen market penetration, says CII-PwC report

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IRDAI Circular

Source

List of Insurance Marketing Firms as on 31.07.2017 is available on IRDAI website.

Source

Gross direct premium underwritten for and upto the month of July, 2017 is uploaded on IRDAI website.

Source

Modification to Guidelines on Point of Sales (POS) – Life Insurance Products ia available on IRDAI webiste.

Source

Report of IRDAI Committee on Risk Based Capital (RBC) Approach and Market Consistent Valuation of Liabilities (MCVL) of Indian Insurance Business to all ia uploaded on IRDAI website.

Source

List of corporate agents registered with the authority as on 31 July 2017 ia avaiabale on IRDAI website.

Global News

Australia: Panel wants more transparency in non-life mart – Asia Insurance Review

A lack of transparency in the general insurance industry with regard to disclosure has resulted in significant barriers to consumers' ability to make efficient use of product information.

This issue is exacerbated by the inherent complexity of general insurance products, says the Senate Standing Committee on Economics.

In a report released on 10 August, the Committee says that the risk-based nature of general insurance makes it a relatively complex financial product. From a consumer perspective, this complexity is obfuscated by a lack of transparency with regard to how general insurance is priced.

Consumers' ability to understand and make appropriate choices is often hindered by the lack of sufficient understanding or information to compare different insurance products.

In the report, the Committee makes several recommendations to address the issues. It suggests that the government:

- require insurers to disclose the previous year's premium on insurance renewal notices and to explain premium increases when a request is received from a policyholder;
- initiate a review to provide component pricing of premiums to policyholders upon their taking out or renewing an insurance policy, as well as an assessment of the benefits and risks to making such a change;
- initiate an independent review of the current standard cover regime with particular regard to the efficacy of current disclosure requirements;
- work closely with industry and consumer groups to develop and implement standardised definitions of key terms for general insurance;
- undertake a review of the utility of Key Facts Sheets as a means of product disclosure, with particular regard to their effectiveness in improving consumer understanding of home building and contents policies; and merit of extending their use to other forms of general insurance;
- complete a detailed proposal for a comparison tool for home and car insurance;
- consider introducing legislation to mandate compliance with the ACCC's good practice guidance for comparison website operators and suppliers;
- introduce the legislative changes required to remove the exemption for general insurers to unfair contract terms laws;
- strongly consider introducing legislation to require all insurance intermediaries disclose component pricing, including commissions payable to strata managers, on strata insurance quotations.

The Committee also notes that the product disclosure statement (PDS), the principal means of disclosure to a consumer at the point of sale, has come to be perceived by government, consumer groups and the insurance industry alike as overly complex, lengthy and not conducive to consumer comprehension. Research into consumers' buying behaviours has consistently found that few consumers read the PDS when buying general insurance products.

In a response to the Senate committee report, Insurance Council of Australia (ICA) CEO Rob Whelan said: “Many of the recommendations are already being addressed by the ICA through initiatives including the Disclosure Taskforce and the review of the General Insurance Code of Practice, through measures being implemented by insurance companies and through existing government programmes.”

Referring to price comparison websites, he said: “Insurance is highly complex. You can’t compare insurance products as though you’re comparing cans of soft drink, and each insurer’s product is competitive on its features as well as its price.”

“The ICA notes the recommendation relating to a price comparison tool but believes enough evidence has already been provided to demonstrate a government-run aggregator would not stand up to a cost-benefit analysis.”

Source

Taiwan: Around 80% of motorcycles have mandatory liability cover - Asia Insurance Review

While the proportion of automobiles in Taiwan that is covered by compulsory motor third party liability insurance has reached over 99%, the percentage of motorcycles with such cover is around 80%, according to the Taiwan Insurance Institute. Data from the Institute show that since 2010, the coverage of automobile compulsory liability insurance has been more than 99%. However, the coverage rate for motorcycles hit around 80% only last year.

Meanwhile, the loss ratio for compulsory motorcycle insurance has exceeded 100% in recent years, reaching as much as 139%, reported Commercial Times. Insurance industry players believe that it is difficult to raise the coverage rate for motor cycles. One reason is that since 1 January 2013, motorcyclists have not been required to renew their licences. Previous to that, they had to show that they had bought mandatory third party liability insurance when they applied for licence renewals.

Meanwhile, premium rates for mandatory motor insurance for vehicles are not expected to increase. This is because reserves set aside in the motor business have not been depleted. Following a review, the nonlife sector decided to maintain auto premium rates at the current level.

Source

Back

Sri Lanka: Law to be changed to exempt listing of subsidiaries of foreign insurers – Asia Insurance Review

The Finance Ministry is proposing to amend the insurance law to exempt insurance subsidiaries of foreign firms and state-owned insurance companies from listing on the local stock market.

Under the proposed changes, if a foreign firm listed on a member stock exchange of the World Federation of Exchanges or a stock exchange recognised by the Sri Lankan insurance regulator owns at least 85% of a local insurer, carries the accounts of the local subsidiary in its group level accounts and meets all compliance standards, the local insurance subsidiary will be exempted from being listed locally, reported Business Mirror.

"Foreign companies requested us to exempt them from being listed locally if they are listed on a stock exchange recognised by the board. That is fair," Ms Indrani Sugathadasa, chairman of the Insurance Board of Sri Lanka (IBSL), said. Under the 2011 amendments to the Regulation of Insurance Industry Act of 2000, all insurance companies are required to be listed locally.

The Allianz Group, listed on the Frankfurt Stock Exchange, and the Fairfax group, listed on the Toronto Stock Exchange, are the two foreign firms with unlisted local subsidiaries in Sri Lanka. The state-owned Sri Lanka Insurance Corporation and the National Insurance Trust Fund will also be exempted from being listed on the Colombo Stock Exchange, under the proposed changes.

The proposed legislative amendments also include provisions to allow insurance agents to be employed by one general insurance firm and a long-term insurance firm, compared to the current law allowing an agent to be employed by just one company. This is to address the 2011 amendments, which also directed composite insurance companies to segregate their life and general insurance businesses into separate companies.

While some companies sold off a segregated business, many have kept both life and general insurance businesses under the same brands, at times bundling services in one package. The proposed amendments to the insurance law also provide for IBSL to be renamed as the Insurance Regulatory Commission of Sri Lanka (IRCSL) under the same legislation. The Bill containing the proposed amendments will be presented to Parliament this month.

Source

Back

Taiwan: Regulator urged to act boldly to promote insurance access – Asia Insurance Review

The Taiwanese insurance regulatory authorities are urged to take bolder steps than they had already taken to improve consumers' access to protection products in a transparent manner by leveraging innovative products and technologies.

This point is made by The American Chamber of Commerce in Taipei in its recently released 2017 White Paper which includes an overall assessment of Taiwan's business climate, a review of the status of last year's priority issues, and statements of the current priority issues identified by AmCham's industry-specific committees, including those related to insurance.

The Amcham Taipei Insurance Committee says that its main theme is the need for increased insurance protection for individuals and families in Taiwan.

The Committee's recommendations regarding enhanced access to protection cover include:

1.Enhance the ease of use of digital means to obtain insurance
Taiwan continues to lag behind other jurisdictions in enabling insurance transactions via electronic means, says the Committee.

To maintain positive momentum in facilitating insurance e-commerce, it recommends simplifying the application process, allowing more products and a larger amount of insurance to be transacted on e-commerce platforms, and permitting additional electronic payment methods.

Further, while amended regulations allow for the applicant and the insured to be different individuals, a physical identification certificate must still be used in order to complete the transaction, notes the Committee.

Obtaining this "Citizen Certification Card" requires very specialised equipment and precludes most individuals from utilising this approach. The Committee encourages the relevant authorities to remove this requirement, as it clearly discourages bringing the insurance business into the digital age.

In addition, the application of insurance technology to the open data platform of health statistics, or the collection and analysis of data collected from insurance-tech devices, cannot be achieved without the application of big data. However, the legality of collecting, analysing, or using big data may be challenged under the Personal Data Protection Law.

The Committee recommends that the regulator establish special provisions for the protection of personal data in the insurance industry in order to meet the needs of insurance technology development.

2.Establish a more effective mechanism to replace the contract pre-review period
The Committee also recommends that the regulator replace the pre-review period with other more consumer-friendly alternatives, such as amending the insurer's information disclosure obligation and legalising the right of revocation during the cooling-off period to replace the contract pre-review period in the Consumer Protection Act.

The contract pre-review period does not serve the purpose of protecting the consumer's right to knowledge of the important information in insurance policies. Instead, this requirement hinders consumers from getting simple and immediate insurance protection through e-commerce and telemarketing channels, says the Committee.

As the consumer enjoys no insurance policy coverage during the pre-review period, and insurance contracts already include a generous 10-day cancellation period after receipt of the policy, the pre-review period mechanism should be replaced with other more consumer-friendly alternatives.

3.Remove restrictions limiting the development of FinTech
While there are recent government efforts to promote FinTech in Taiwan, a ruling on 22 October 2015 seems contrary to this direction, as it limits the number of insurance broker or agency companies that will be allowed to conduct digital online insurance to 10, and requires these companies to have a minimum annual revenue of NT$500 million (US$16.6 million) to qualify.

This requirement would clearly exclude young and innovative companies, enabling only traditional and established businesses (which are accustomed to engaging in face-to-face sales by agents) to apply.

In order to properly harness the power of FinTech, these limitations should be removed in the interest of increasing the number of participants and accelerating the growth of digital insurance in Taiwan.

In addition, insurance broker and agency companies still cannot connect to insurance companies' e-commerce systems because of electronic signature issues, which require further resolution by the regulator.

4.Establish a legal basis for electronic recordings in line with insurance technology development

As digital and telephonic means to acquire insurance are becoming increasingly popular with consumers, electronic recordings of clients' responses for underwriting purposes should be accepted as a legal basis to challenge or rescind a policy. The Committee requests that the "Directions for Insurance Enterprises Engaging in Telemarketing Insurance Products" be revised to permit the legal acceptance of electronic recordings. The change would bring Taiwan in line with international practices in this regard and help to further promote digital insurance.

Source