Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"Start by doing what is necessary, then what is possible, and suddenly you are doing the impossible"

St. Francis of Assisi

INSIDE THE ISSUE

Insurance Industry

Insurers may see hike in stakes post budgetary proposal - Financial Chronicle

With the budgetary proposal to hike foreign direct investment cap to 49 per cent from the existing 26 per cent in the private insurance sector, the general insurance industry is hopeful that their foreign partners will increase their stake.

"If the growth potential is realised, profitability would improve for non-life insurance companies. Their overseas JV partners who are haven here for over a decade would be interested in increasing their stake to 49 per cent," General Insurance Council Secretary General R Chandrasekaran told PTI.

Around Rs 3,000 crore of fresh capital investment is likely to happen in the sector over next two-three years and so far Rs 1,800 crore has already been invested into the sector.

"The budgetary measures are specifically positive for the insurance sector. This will bring in much needed long-term capital which can be effectively channelised to increase penetration and reach," ICICI Lombard managing director Bhargav Dasgupta said.

While corporate houses with JV in general insurance segment include the Tatas, Bharti, ICICI and HDFC, Reliance and L&T are without any foreign partners.

Currently, there are 22 non-life insurers in the country. The health insurance sector is also expecting infusion of foreign capital after the budgetary announcement.

"We expect further capital investments to filter into multiple areas, including technology driving efficiency in customer service and distribution facilitating the governments agenda on enhancing financial inclusion," Cigna TTK Health Insurance managing director Sandeep Patel said.

Health insurers, which are five in number as of now, are likely to come up with innovative products.

"With 49 per cent FDI coupled with developments in healthcare industry over the next few years, health insurers are expected to come out innovative products," Chandrasekaran said.

The Insurance Act Amendment Bill, which is likely to be tabled in Parliament shortly, has proposals to relax minimum capital as well as earmark health insurance business as a separate class, he added.

Source

Back

Union Budget 2014: FDI in insurance to be hiked to 49%: Arun Jaitley - The Financial Express

In a big relief to the capital-starved private insurance sector, Finance Minister Arun Jaitley today proposed raising the Foreign Direct Investment (FDI) cap from 26 per cent to 49 per cent.

"The insurance sector is investment starved. Several segments of insurance sector need expansion. The composite cap of the insurance sector is proposed to be increased to 49 per cent from the current level of 26 per cent with full management and control through the FIPB route," he said while presenting the Budget for 2014-15.

Source

The move would help insurance firms to get much needed capital from overseas partners. The proposal to raise FDI cap has been pending since 2008 when the previous UPA government came up with Insurance Laws (Amendment) Bill to hike foreign holding in insurance joint ventures to 49 per cent from the existing 26 per cent. He said the government will take up the Bill soon.

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Insurance FDI rider worries foreign cos - The Times of India (Delhi)

The finance minister's decision to channel foreign direct investment into insurance through the Foreign Investment Promotion Board (FIPB) is causing concern among existing joint ventures where management power vests with the foreign partner. The fear is that existing agreements between partners might fall through as the companies now have to be under `Indian control'.

In many insurance joint ventures, the foreign partners have invested much more than their share of equity in exchange for management control and the power to appoint chief executives. The belief among the partners was that the multinational would increase stake as soon as the government relaxed FDI guidelines. While the higher FDI has brought cheer, the words `full Indian management and control' in the Budget speech and the de cision to subject investments to FIPB scrutiny has set the cat among the pigeons.

“What is curious is that, while all along FDI in insurance companies has been under the automatic route, it is now moved to the FIBP route.

There are some positives here. Being a multi-faceted body, FIPB can perhaps look at FDI proposals in greater depth than, say, the finance department of IRDA. Also, it will give an opportunity to rectify short comings in the earlier 26% FDI cases already cleared. But the flip side is that it is reintroduction of some kind of licence-permit Raj considering the fact that FIPB is largely populated by civil servants,” said K K Srinivasan, former member, IRDA.

Source

Insurance companies fear that clearances might become subjective, like in airlines. Also, they worry that the government may ask them to reveal all the agreements between the partners which have been private until now.

Back

India, EU free-trade talks stall despite 49% FDI in insurance - Mint

Talks between India and the European Union (EU) for a free-trade agreement (FTA) are unlikely to take off any time soon, even though the new government has met a key EU demand by raising the ceiling for foreign direct investment (FDI) in insurance companies to 49%.

“We do not see any progress in the deal this year. EU is more focused in finalizing a trade deal with the US by year-end (Trans-Atlantic Trade and Investment Partnership). They don’t see it as the right moment to kick-start negotiations with India,” a commerce ministry official said, speaking under condition of anonymity.

Finance minister Arun Jaitley, in his maiden Union Budget last week, announced that the government intends to increase the composite foreign investment cap in insurance to 49% from current 26% through government approval route.

Source

A year ago, the EU’s demand for a more open insurance sector in India was thought to be the only key issue left to be resolved in the long-running talks. But many issues that were then considered resolved have come up since then.

Back

No separate benefit for retirement and insurance - The Economic Times

Though Finance Minister Arun Jaitley said in his speech that he wanted to promote long-term saving, the Budget has not given any incentive for retirement planning. There is no separate limit for pension products and annuity income remains taxable. The only step is the increase in the Section limit to Rs 1.5 lakh and a concurrent increase in the PPF investment limit from Rs 1 lakh a year to Rs 1.5 lakh.

"The additional Rs 50,000 savings option is a boon for anyone who wants to plan for retirement using debt options," says Nikhil Kothari, director and chief financial planner, Etica Wealth Management. The PPF is a tax-.

efficient product. The investments get deduction under Section 80C, the interest earned is tax-free and so is withdrawal Though the Budget hints at the launch of retirement plans by mutual funds, it does not offer enough clarity on how and when this will happen. Right now, only two pension products from mutual funds are available in the market: UTI Retirement Benefit Pension Fund and the Franklin Templeton Pension Plan. Both are hybrid funds, with over 50 per cent of their corpuses in debt and only 30-35 per cent in equity. They are, therefore, subjected to the same tax treatment as non-equity mutual funds. There is no need to rush in here because there is no separate deduction window for pension contribution.

The Budget proposal to make "the tax treatment for pension fund and mutual fund-linked retirement plan uniform" has also created confusion. Will there be restrictions on withdrawals as in the case of the NPS or pension products from insurance companies? "More clarity is awaited on these schemes," says Kothari.

Other fund houses might not launch new pension products if the government is going to impose more restrictions. Many pensioners were hoping that the Budget would make annuity income tax-free, but Jaitley has not fulfilled their expectations. "While the government has i ncreased the tax exemption limit for senior citizens to Rs 3 lakh, it could also have looked at making the annuities tax-free to maximise returns for this target group," says Tarun Chugh, managing director and CEO, PNB MetLife. The industry is still hopeful that the anomaly will be removed in the future. "There are some positive proposals like the increase in the Section 80C limit in this Budget. We expect more in the coming budgets,"

says G Murlidhar, managing director, Kotak Mahindra Old Mutual Life Insurance. The life insurance industry may not have got separate tax sops, but the increase in the FDI limit to 4 per cent more than makes up for that. Industry players contend that this move could benefit the policyholders too.

"With the increase in foreign partners' participation, the industry will benefit from their expertise and technological capabilities. This, in turn, could mean better products and services for policyholders," says Rakesh Jain, MD and CEO, Reliance General Insurance. The finance minister also made his intent clear on the passage of the pending Insurance (Amendment) Bill.

Source

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IRDA Regulation

IRDA Mulls 4-Fold Rise in Micro Insurance Cover - The Economic Times (Kolkata)

Micro insurance cover may be raised four folds to about Rs 2 lakh a person in line with high inflation of the past few years. The Insurance Regulatory & Development Authority (IRDA) is considering a proposal to raise the bar from Rs 50,000 a head, Sudhin Roy Chowdhury, former member (life) with the insurance regulator, said at a seminar.

Micro insurance is a financial protection offered to low income people. Insurance companies typically tie up with regional rural banks, self help groups and micro finance institutions to bridge the last mile connection.

Although raising the limit seems to be in line with high price level across the spectrum, some insurance practitioners do not see merit in it. “The focus of micro insurance on the genuinely needy people may be lost if the limit is raised to Rs 2 lakh from Rs 50,000,” said SBI Life Insurance managing director and CEO Atanu Sen. “For the time being, the limit may be raised to Rs 70,000 since insurance has not really penetrated in the hinterland.” Many believe that a higher limit would allow insurers to look at people who can afford a higher premium. “The insurance industry in 2014 would need to invest in increasing awareness in rural areas in order to ensure that the segment can be tapped in the future. Here too, use of the channel partners like NGOs and government agencies can help reduce costs as well as act as positive incentives for the partners,” Accenture said in a report on insurance.

IRDA, on its part, is focusing on awareness building. It has decided to open offices in Kolkata with an aim to spread insurance cover to the north-east states. The insurance sector aims to grow to 5% of GDP by 2020 from 3.96% in 2012. The life insurance penetration was 3.17% in 2012, down from 3.4% in the preceding year, while the penetration in non-life segment was 0.78%.

Source

Life Insurance

Insurance policies with low cover to attract TDS on surrender - The Indian Express

In a move that may come as a dampener for policyholders whose life cover is less than 10 times their premium paid in a year, finance minister Arun Jaitley has proposed to impose a tax deduction at source (TDS) of 2 per cent on the sum paid under the life insurance policy by the insurer.

This will, however, be applicable to policies that are not covered under Section 10 (10D) of the Income Tax Act. While death benefit under the plan is always tax free under Section 10 (10D), the benefits under the Section are available to schemes only if the premium paid in not more than 10 per cent of the sum assured.

It has, however, proposed to keep the small tax payers out of the net and said that there will be no deduction within this provision if the aggregate sum paid in a financial year to an assessee is less than Rs 1 lakh. So, if at the time of surrendering of the policy, the surrender value of the policy is Rs 5 lakh, then the insurance company will deduct a tax of Rs 10,000 on that amount and pay the remaining Rs 4.9 lakh to the individual.

"At the time of surrender now we will have to figure out whether the cover is ten times the premium or not and in case it is not there then 2 per cent tax will be deducted, as has been proposed in the budget," said Vibha Padalkar, ED & CFO, HDFC Life. She added that in the long-term it would lead people to choose higher life insurance cover.

Source

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Insurance can play big role in routing savings to infra sector - The Financial Express

Development of infrastructure is one of the top priorities for the new government. This has multiple effects on the economy as it generates demand for basic construction and industrial goods, which, in turn, can create huge employment opportunities. The insurance sector can play an important role in channelising long-term funds from the household sector to infrastructure development. In the global competitiveness index, India ranks 86th (2010-11) where as China and Brazil rank 50th and 62nd. This indicates the enormity of the task. Infrastructure development planning is based on availability of financing options and funds. The requirement is huge.

The sub-committee on infrastructure constituted by the Planning Commission, while finalising the 12th Five-Year Plan, had estimated an investment of R41 lakh crore at the 2006-07 price level. In nominal terms, this amount translates into R65 lakh crore over a period of five years. Even though India is a leader in the domestic savings rate, the fund mobilised is nowhere close to the requirement. Resources available from banks, NBFCs, insurance and pension sector, development agencies, bond funds and foreign direct investment together do not meet even half of the requirement.

The insurance sector is eminently positioned to provide long-term finance to the infrastructure sector. Insurance companies mobilise savings of people for the long term and, as per guidelines, they must invest up to15% of life fund in the housing and the infrastructure sector. Up to 2006-07, the combined investment of all life insurance companies was above 15%, but it fell marginally below 15% by 2010-11. Non-life companies could invest up to 16% in infrastructure during 2009-10, but their share to insurance sector investment is quite low. The trend, therefore, is depressing and needs to be reversed at the earliest.

At this juncture, what is more crucial is the issue of capacity of the insurance sector to grow its business and channelise the savings of the people into the infrastructure sector. In 2010-11, the penetration level of the insurance sector had dwindled to 4.10%. Penetration indicates share of total premium earned in the GDP of the year. The Planning Commission has envisaged this to grow to 6.40% by 2017. A growth of more than 50% in rate of penetration is not an easy target given the current sluggishness in the industry and the fact that even 28 non-life insurers together are not able to breach the barrier of 1% penetration.

The present contribution of the industry may not be enough to match the ambitions of the government. Its proposal to raise the FDI cap in the insurance sector to 49% from 26% is a welcome move. Urgent actions are also warranted to handhold this industry to play its legitimate role in the economy. The regulatory environment has to be such that the insurers reach out to potential customers rapidly with appropriate products for different market segments.

Currently, several life insurers are struggling in the market with very few products. Even the market leader LIC's basket contains not more than 10 products against its earlier offering of 56. For boosting business growth and creating higher awareness about insurance products, genuine time bound initiatives are warranted. The regulatory mechanism was created to dismantle the Licence Raj, but surprisingly, the purpose has not been accomplished as expected. Restrictions on investment can also be rationalised in line with recommendations of the GN Bajpai committee report for freeing substantial insurance and pension fund for investment in infrastructure.

Source

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Health Insurance

Budget 2014 brings Rs 7,300-crore tax relief for Employees' State Insurance Corporation - The Economic Times

Finance minister Arun Jaitley's maiden budget has set aside a Rs 7,300-crore service tax demand imposed on the state-run healthcare scheme for formal sector workers by granting the Employees' State Insurance Corporation. (ESIC) an exemption from the tax with retrospective effect. In late 2013, tax authorities had raised a service tax demand on the scheme by taking the view that it's running a general insurance business. Though the labour and employment ministry had urged Jaitley's predecessor, P Chidambaram, to sort out the tax tangle, the issue wasn't resolved in the interim budget for FY15 that he presented earlier this year.

The labour ministry had pointed out that ESIC is not a corporate body carrying on an insurance business, but an organisation constituted by an Act of Parliament to discharge social security benefits to workers.
"Services provided by the Employees' State Insurance Corporation for the period prior to July 1, 2012 is being exempted," Jaitley said towards the end of his budget speech on July 10.

The retrospective provision of the exemption was prompted by the fact that the finance ministry had, in fact, put ESIC's operations in the negative list for service tax through a notification issued on July 1, 2012, said a senior government official. Despite that exemption, the Service Tax Commissionerate had argued that ESIC was liable to pay service tax dues for the period before 2012.

In two separate tax demands, it charged the corporation with "suppression of facts" and "intent to evade payment of service tax" and sought Rs 3,400 crore dues and interest for the period between 2005-06 and 2009-10, a penalty of around Rs 1,950 crore and another Rs 1,900 crore as service tax dues for the period from 2010-11 till the date of exemption.

ESIC had filed an appeal with the concerned tribunal against the tax authorities' demand cum showcause notices and the previous two labour ministers, the late Sis Ram Ola and Oscar Fernandes, had flagged the issue to Chidambaram.

Source

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General Insurance

Non-life insurance premium up 8 percent in May at Rs 6,118 crore - Financial Chronicle

Non-life insurance premium increased 8.1 per cent year-on-year to Rs 6,118.11 crore in May 2014, data from Insurance Regulatory and Development Authority shows.

Of the total premium collected by non-life insurers during May, 55.3 per cent was contributed by public sector entities at Rs 3,381.86 crore, while rest 44.7 per cent came from private sector companies (Rs 2,736.25 crore).

Among the six public sector non-life insurance companies, New India Life Insurance collected premium of Rs 886.06 crore (up 13.8 per cent year on year) in May; National Insurance Company Rs 867.79 crore (up 15.1 per cent); United India Rs 870.50 crore (up 3.6 per cent); Oriental Insurance Rs 615.52 crore (up 1.2 per cent).

Export Credit Guarantee Corporation Rs 102.41 crore (down 1.3 per cent) and AIC collected Rs 39.58 crore premium (down 19.9 per cent).

Among the private players, non-life insurance premium mopped up by Reliance General increased by 10.9 per cent from a year ago to Rs 220.37 crore; IFFCO-Tokio Rs 234.78 crore (up 5.7 per cent); ICICI-Lombard Rs 516.46 crore (up 12.3 per cent) and Bajaj Allianz Rs 356.97 crore (up 1.6 per cent).

HDFC ERGO General's premium income stood at Rs 201.65 crore during the month (up 12 per cent); Bharti AXA General Rs 121.85 crore (up 14.7 per cent) and SBI General Rs 102.21 crore (up 20.3 per cent).

During the first two months of 2014-15, the total premium collected by non-life insurance firms rose by 7.28 per cent to Rs 14,539.55 crore.

Source

Premium collected by public sector insurers during April-May rose by 8.2 per cent to Rs 7,984.37 crore and that of private companies by 6.19 per cent to Rs 6,555.17 crore.

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IRDA Circular

Source

IRDA Issued a circular regarding Agents Pre Recruitment Examination - New Syllabus (IC-33) to CEOs of all life insurance companies.

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Global News

Bangladesh: Life insurance withholding tax attracts critics - Asia Insurance Review

Life insurance policyholders and life insurers in Bangladesh are irate at the government's new decision to levy a withholding tax on gains on life insurance policies.

While financial benefits received from insurance policies have always been taxable, the government in the Budget for the 2014-15 fiscal year has for the first time introduced withholding tax on the gains. Death benefits though are exempt from the tax.

The National Board of Revenue backs the change in the tax collection method, alleging large-scale evasion because many taxpayers were unaware that such benefits are taxable. This had led many taxpayers from failing to show such benefits in their annual tax returns previously.

However, questions have been raised about the withholding tax because some policyholders do not have taxable income, reported the Financial Express. Experts also say that some life insurance policyholders get negative returns on their insurance premiums, with inflation adjustment.

Source

Mr Ahsanul Huq Titu, the vice president of the Bangladesh Insurance Association, expressed deep concern over the long-term adverse effect of the tax on savings and financial solvency of the public. Mr Titu, who is also Managing Director of Sandhani Life, said that the move might hamper the government's bid to increase the contribution of the insurance sector to 4% of GDP by 2021. At present, insurance accounts for 0.9% of the country's GDP.

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China: Govt to promote food safety liability insurance - Asia Insurance Review

China's Food and Drug Administration (FDA) will promote a food-safety liability insurance programme in high-risk industries, such as those involving dairy and meat products. A draft amendment to the Food Safety Law has been reviewed by the national legislature or this purpose. According to the draft amendment, a regulation on the liability insurance programme will be jointly formulated by the FDA and the China Insurance Regulatory Commission, reported the China Daily.

Mr Xu Jinghe, director of legal affairs for the China Food and Drug Administration, speaking at a recent seminar on the food safety law said that liability insurance could help increase supervision by insurance companies over food companies. He said that the FDA is considering suggestions from some legislators on implementing the insurance programme based on different food industry categories. However, there are differences of opinion between the authorities and insurance companies on which categories the insurance should cover first.

"We believe that the insurance should first cover high-risk food categories, while the insurance companies believe we should start with low-risk ones," he said. Mr Chen Xu, deputy director of legal affairs for the FDA, said that the draft amendment to the food safety law did not make the food safety liability insurance programme compulsory because legislators took costs into consideration. "A compulsory programme would increase costs for to food companies, and ultimately the costs would be transferred to consumers," he said.

Source

There are suggestions for tax incentives to be given to enterprises which choose to acquire food safety liability insurance. The draft amendment, which passed its first reading at a bimonthly session of the National People's Congress Standing Committee last month, was first introduced in June 2009.

Back

Australia: Rehab services generate huge savings for insurers - Asia Insurance Review

For every A$1 (95 US cents) spent on rehabilitation services, insurers saved A$24-39 on claims costs, according to the first study on rehabilitation services by global reinsurer Swiss Re in the Australian life insurance market. Swiss Re's Rehabilitation Watch 2014 report covers the costs, benefits and trends of rehabilitation services in the life insurance industry. Nine of Australia's major life insurance companies provided data and commentary for the study, including those who offer individual and/or group insurance data, as well as multiple product lines data. The research was based on claims received and managed in the 2013 calendar year. Claims rehabilitation has been a topic of growing interest in the Australian life insurance market, with insurers starting or growing their investment in in-house rehabilitation staff. Rehabilitation is aimed at supporting the restoration of health and function through consideration of an individual's physical, psychological and environmental needs.

Mr Mark Senkevics, Head of Swiss Re Australia and New Zealand, said: "Rehabilitation Watch has some encouraging messages. The positive financial impact rehabilitation can have is starting to be understood and the market is focusing on promoting the intrinsic value of rehabilitation in assisting people to make a recovery and a return to health and work."

However, only 5-6% of income protection claimants are engaged in rehabilitation services.

Key highlights of the report include:

- The key determinant to the success of rehabilitation intervention is the claimant's attitude and motivation.
- On average, insurers are initiating rehabilitation programmes at least 12 months after the date of notification or date of disability. Insurers are able to demonstrate the cost-benefit of rehabilitation with a positive return on investment: for every A$1 spent on rehabilitation services, insurers saved between A$24-39 on claims costs.
- The degree of stakeholder engagement is clearly linked to the level of knowledge and understanding of the purpose of rehabilitation services.
- 100% of participating insurers agreed that rehabilitation would play more of a role in the future Australian life insurance market.

Source

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Thailand: State tourism agency to promote travel insurance - Asia Insurance Review

The Tourism Authority of Thailand (TAT) and its 27 offices overseas have teamed up with Thai insurance companies to promote travel insurance service for foreign tourists in an attempt to recover tourist confidence.

Ms Juthaporn Rerngronasa, the TAT's deputy governor for international marketing (Europe, Africa, Middle East and Americas), said that the tourism agency will help promote travel insurance from three insurance companies — Muang Thai Insurance, Chao Phaya Insurance and Siam City Insurance, according to the Bangkok Post.

The offering will help foreign travellers who want to visit Thailand but cannot buy travel insurance from overseas insurers because the country is under martial law. Available from 15 July with a THB1-million (US$31,110) cover at a premium of THB650, the policy will cover accident, health, baggage loss or delay and airport closure. Tourists can buy this insurance policy online. The three insurance companies will seek approval from the Office of Insurance Commission before selling the policy.

"This travel insurance will help attract more tourists from Britain, the US and Hong Kong to visit Thailand," Ms Juthaporn said. Twenty-seven TAT offices overseas will promote this travel insurance policy because the agency is confident it will help Thai tourism for the rest of the year.

Source

The TAT projected 2014 tourism revenue to be about THB1.93 trillion, of which THB1.23 trillion will come from foreign travellers and THB700 billion from domestic tourism. It will ask the help of both international and domestic tour operators to sell the travel insurance to clients especially in sensitive markets.

Back

China: Insurance premiums to represent 5% of GDP by 2020 – China: Govt to speed up development of insurance industry - Asia Insurance Review

The Chinese government has said that it would improve insurance services in a bid to stimulate innovation and entrepreneurship. The insurance sector should be a modern corporate system with new market entry and exit mechanisms, advanced practices and technology from abroad, able to export domestic insurance services. Faster development of the sector will optimise the economic structure and promote innovation in social governance, reported the Xinhua News Agency citing a statement released after a meeting of the State Council, China's Cabinet.

The country's insurance and social security systems will be integrated, making commercial insurance a major pillar of social security, the statement said. Competent insurance companies are encouraged to roll out commercial pension and health care plans, to invest in the old-age pension industry, participate in the integration of the health sector and develop new products.

Insurance will be incorporated into the national disaster and accident prevention and alleviation system. It will also promote industrial upgrading, support agriculture. Insurance funds will be encouraged to invest in urbanisation, infrastructure and residential renovations The State Council meeting was on Wednesday, a day after the China Insurance Regulatory Commission (CIRC) said that the insurance industry in the country will continue its rapid growth in the next several years, with premiums expected to account for 5% of the country's GDP by 2020.

Source

The CIRC projected that Chinese will pay an average of CNY3,500 (US$570) per capita in insurance premiums by 2020, making China the world's second largest insurance market behind the US. The rapid growth will translate into about CNY4.55 trillion worth of premium revenue for the country's insurers by 2020, compared with CNY1.72 trillion at the end of last year, according to the CIRC report.

Back

Thailand: Life insurance market grows 20% in first 5 months - Asia Insurance Review

Total life insurance premiums in Thailand hit about THBB210 billion (US$6.53 billion) for the first five months of this year, representing year-on-year growth of 20.5%.

New premiums during the period amounted to THB77.55 billion, up by 29.1%, while the policy-retention rate was 86% which is considered to be quite good and reflects rising awareness of the role and importance of life insurance,

The Nation newspaper reported, citing Ms Busara Ungphakorn, director of the Thai Life Assurance Association. Policy-renewal premiums amounted to THB132.77 billion, up 16% year on year.

AIA Thailand, which reported THB43.78 billion in overall premiums for a 20.8% market share, retained its top spot among life insurers in terms of premiums.

Bangkok Life Assurance was in second place with overall premiums of THB32.74 billion, for a 15.6% market share while Muang Thai Life Assurance was third with THB31.84 billion or 15.1% of the market. 21 other life insurers shared the remaining 48.5% of the market.

The top three life insurers also reported the highest amount of new premiums received from January to May, although there were changes in their rankings in this instance.

Source

In first place was Bangkok Life Assurance with THB16.06 billion, for a 20.7% market share, followed by Muang Thai Life Assurance with THB15.65 billion (20.2%) and AIA with THB10.22 billion (13.2%).

Price comparison sites must improve: FCA - www.reactionsnet.com

Some insurance price comparison websites are failing to meet consumers' expectations of and, in some cases, the Financial Conduct Authority (FCA) regulatory standards. The FCA found that the websites did not always ensure that consumers were given the appropriate information to help them make informed decisions, it said in a thematic review published today.

The FCA is concerned that consumers focus on headline price and brand when using price comparison websites could distract from crucial product features such as policy coverage and terms. Without providing clear information, the websites are increasing the risk that consumers may buy products without understanding key features such as level of cover or excess levels and purely focus on the price.

While some websites did provide this information clearly, levels of clarity vary significantly depending on the provider. Price comparison websites have been subject to regulatory query, scrutiny and comment for a number of years said Jeremy Irving, partner at law firm Ever sheds.

Our review found that they were not meeting our requirements in delivering fair and consistent outcomes for consumers. We also found, through our consumer research, that consumers had a number of misconceptions about the services they provided said Clive Adamson, FCA director of supervision. Adamson said he expects price comparison websites to take on findings of the review.

It is also important for consumers to understand that not all products are the same and the cheapest product may not always be the best for their needs he added. The report found price comparison websites often also did not make clear their role in the distribution of the product or the type of service they provided. For example, some consumers mistakenly thought price comparison website had provided them with quotes on the best policy for their individual needs and had assessed the suitability of the policy for them. Not all comparison sites, that were part of a larger group of an insurer or broker, disclose this potential conflict of interest, which is against FCA rules.

However, the FCA found no evidence that these firms used this relationship for a commercial advantage. Some price comparison websites had taken steps to comply with regulations some had not fully implemented guidance that was published in 2011. The FCA has asked price comparison websites to improve specific areas identified where they are not meeting standards to ensure customers get a product that meets their needs. Irving said: The FSA as it was, and the FCA now, have made it clear that consumers need to be aware that the mere label or packaging of an insurance policy is not determinative of its terms, such as exclusions, and thus whether the policy is a suitable tool to manage a particular risk or set of risks.

The commercial reality is that insurance is sold on a high volume and high speed, almost commoditized, basis. However, centuries of case law show that the construction and response of a particular policy is dependent on specific terms and, as highlighted in recent years, specific circumstances or 'factual matrix said Irving. The FCA is re-emphasizing that an insurance policy should not be considered a commodity, and requires more detailed and comprehensive consideration than consumers seem to be carrying out via PCWs Irving added.

Source

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Auto insurers to show previous quote prices - www.reactionsnet.com

The Association of British Insurers (ABI) has announced new proposals to force insurers to include the previous premium customers, making it easier for policyholders to see whether their premium payments have increased.

Only half of British drivers check their premium price when renewing their car insurance, according to comparison service Gocompare.com. Around 8.8m drivers renewed their car insurance last year without looking for any other potential options, said Gocompare.com.

In addition, the comparison service said that 46% of drivers who renewed their existing policies did so because they thought as their insurer was the cheapest option last time; it was likely to represent good value for money this time too.

According to the Gocompare.com, 26% of drivers said insurers should make it clearer how the renewal price had changed from last year, while more than 1 in 10 (11%) thought that insurers use underhand tactics encourage policyholders to renew policies. Comparison websites however say that the new proposals do not go far enough.

"Many insurers will automatically renew your insurance unless you contact them to tell them otherwise, and their renewal letter will focus on the convenience of needing to do nothing at all in order for your insurance to continue," said Lee Griffin from Gocompare.com. "Therefore, beyond just providing customers with last year's premium, we need to ensure the focus is on a proper review of the customers' situation rather than an assumed auto-renewal."

Source