



# Insurance Institute of India

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## INSUNEWS

- Weekly e-Newsletter

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### • Quote for the Week •

**"The season of failure is the best time for sowing the seeds of success."**

**Paramahansa Yogananda**

#### INSIDE THE ISSUE

### Insurance Industry

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#### ***Paytm all set to sell insurance products - The Times of India - 8th Sept 2017***

Payment bank Paytm can now sell life insurance, health and general insurance products. The Insurance Regulatory Development Authority of India (IRDAI) has granted corporate agency license for One97 Communications, the parent of Paytm. The Chinese e-commerce giant Alibaba-backed Paytm, a leading player in the mobile payments and e-commerce platform claims a registered user base of over 250 million, has been granted license under the composite category.

Paytm, which also counts Japan's SoftBank as an investor, has obtained a license valid between August 30, 2017 and August 29, 2020. Amit Gupta has been named as the principal officer for the business.

Incidentally, Paytm received final approval from the Reserve Bank of India (RBI) to set up a payments bank in January this year. Payments banks such as Reliance Payment Solutions and Airtel Payments Bank have already received a composite corporate agency license from IRDAI. These banks are however yet to sign up officially with insurers, IRDAI filings showed. While Reliance got the approval in August last year, Airtel received it last November. According to IRDAI rules, a corporate agent (including banks, small finance banks and payments banks) can tie-up with three life, three non-life and three standalone health insurance companies. Paytm will face competition from banks who dominate the corporate agency business.

Banks act as corporate agents through bancassurance agreements with insurance companies. Currently, over 400 corporate agents have registered with IRDAI to sell insurance products. AU Small Finance Bank has also received composite corporate agency license from IRDAI, which will be valid between August 2017 and August 2020. AU is the sixth small finance bank to get the regulator's approval for selling insurance products.

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#### ***Insurance brokers can offer up to Rs 10 crore without prior Irdai nod - Financial Express - 7th Sept 2017***

The Insurance Regulatory and Development Authority of India (Irdai) will soon come out with regulations that would allow insurance brokers to offer claim consultancy up to Rs 10 crore without the prior approval of the regulator.

For claims above Rs 10 crore, the brokers would need to take approval from Irdai.

Sanjay Kedia, president of the Insurance Brokers Association of India (IBAI), said: "This point was discussed in the last board meeting of Irdai and our demand has been largely been agreed by the regulator and we welcome the move." He was speaking at the launch of new volume of its "General Insurance Claim Insights for Policyholders: A Handbook" on September 06, 2017.

Claim consultancy services will provide for efficient liaisoning with the insurance companies so that the claims can be settled on time. Senior officials in the insurance industry say that, this move will ensure that policy holders do not approach unauthorised agencies to get assistance for claims. "We have been verbally told regarding the change in regulations and we are happy with the move. Going forward we hope that, regulator remove all the restrictions of prior approval of above `10 crore for claim consultancy services," said a senior official.

Data from the handbook showed the claims settlement ratio is the highest by the New India Assurance, at 70.97%, among the public sector insurance companies, while Royal Sundaram's claims settlement ratio stood at 70.79% among large private general insurance companies. Insurers are evaluated and ranked basis the above five criteria for individual lines of business such as fire, marine cargo, marine hull, motor own damage, motor third party, health and miscellaneous, and for all lines of business combined.

The handbook intends to capture data in these parameters and present it in a lucid and accessible manner, which would help policyholders in making an informed decision while choosing a general insurance policy.

However, claims settlement ratio for motor third party has been very less for the entire industry, the data suggests that, claims settlement ratio is below 20% for general insurance companies. While in health insurance claims settlement ratio for New India Assurance is 83.83% in public sector insurance companies.

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### ***Over 22 lakh petition against GST on insurance premiums – Financial Express - 6th Sept 2017***

Claiming that insurance industry has been heavily hit by the imposition of 18 per cent GST, the All India Insurance Corporation Employees Union today said that about 22 lakh people have signed petition to Prime Minister opposing GST on insurance premiums. The new GST system has brought additional burden also by taxing new areas, the union joint secretary M Girija told reporters here. Stating that penalising the late fee was not justifiable, Girija said that the new areas of servicing have also been brought under tax net and service charges payable for nominations, assignments and issuance of duplicate policies were added with loading of 18 per cent GST.

The levying of GST has brought the danger to the next level of denying the role played by LIC and Public sector general insurance companies, she said. Stating that the union has launched a signature campaign among the policy holders and the general public demanding the government for withdrawal of GST on insurance premiums and insurance related services, Girija said that more than 22 lakh people signed the petition to the prime minister.

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## **Insurance Regulation**

### ***Open e-insurance accounts within 15 days of selling policies: Irdai - Business Standard – 8th Sept 2017***

All insurers opening electronic-insurance accounts (e-IAs) for policies sold on the self-networking platform (ISNP) have to opening an e-IA within 15 days of a sale, the regulator said.

The Insurance Regulatory and Development Authority of India (Irdai) issued the clarification after stakeholders raised issues seeking clarity on revised guidelines on insurance repositories and electronic issuance of policies.

The regulator has asked all insurers, insurance intermediaries and insurance repositories to validate one-time password (OTP) permit for opening an e-IA as an alternative to e-signatures. "As per current practice, an e-signature of the holder (e-IA) on the application form for opening an e-IA is considered as a valid authentication," said Irdai.

Moreover, Irdai has asked all authorities concerned to comply with the know-your-customer/anti-money laundering (KYC/AML) guidelines by using e-KYC facility offered by the Unique Identification Authority of India (UIDAI). Valid KYC documents can also be used in case of insurance e-commerce.

To make things simpler, the authority has allowed opening of e-IA on the basis of either an email id or a mobile number, with only one OTP being sent to the email id or mobile number.

Earlier, the guidelines suggested that insurance e-commerce required creation of e-IA and gave an option to customers to provide an email id or a mobile number. In the revised guidelines, the authority made both mandatory to open e-IA. The insurance repository has to send OTP1 on the registered email id and OTP2 on the registered mobile number of the e-IA holder.

Source



### ***Irdai approves new broking consultancy norms - Business Standard – 7th Sept 2017***

The Insurance Regulatory and Development Authority of India (Irdai) will soon allow insurance brokers to offer consultancy for claims not exceeding Rs 10 crore without the need for regulatory approvals. For claims exceeding Rs 10 crore, the brokers will have to seek prior approval from the regulator.

The last Irdai board meeting held in August cleared changes to the Brokers Regulations, said Sanjay Kedia, president, Insurance Brokers Association of India, adding that a formal notification is expected to be out soon.

For the past one decade, the association's stand has been that policyholders should have a choice to decide their service provider with regard to claims.

Kedia said the broker represented the policyholder, and not allowing a policyholder to access the services of a qualified licensed broker in a completely free manner was denying him/her the right to exercise claim settlement.

"The association's demand was agreed to by Irdai. We hope that in times to come, the regulator will remove all restrictions, including prior approval of Irdai for claims above Rs 10 crore," he said.

The Insurance Regulatory and Development Authority of India (Insurance Brokers) Regulations, 2013, had provisions that allowed insurance brokers to offer claim consultancy to policyholders for claims up to Rs 1 crore, provided such claims did not emanate from a policy which had been placed by any other broker.

Insurance broking registered a compounded annual growth rate (CAGR) of 27.7 per cent between FY10 and FY15. It is expected that insurance broking will contribute close to 40 per cent of gross direct premium in the non-life insurance market by 2025. The non-life insurance market in 2025 is expected to be at Rs 4,00,000 crore, and the brokers' market share is likely to be around Rs 1,60,000 crore, according to EY Vision Report 2025.

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### ***Customers' consent must for use of Aadhar-based e-KYC: IRDAI - The Hindu Business Line – 5th Sept 2017***

The use of Aadhar and accessing of personal information of Unique Identity Authority of India (UIDAI) for e-Know Your Customer (e-KYC) purposes can only be done only on the voluntary consent of customer, the insurance regulator has said.

In a clarification on the existing circulars issued on the matter, the Insurance Regulatory and Development Authority of India (IRDAI) said that insurers can use the e-authentication facility being provided by UIDAI either through the fingerprint or iris scanning) or through one time password (OTP) received on client's mobile number or on e-mail address registered with UIDAI.

"The information downloaded from UIDAI shall be considered as sufficient information for the purpose of KYC verification," the authority said.

In case material difference is observed either in the name or the photograph in Aadhaar is not clear, the insurer should carry out additional due diligence and maintain a record of the additional documents sought.

Source

The records of KYC information so received from customers should be maintained by the insurers, it added.

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## **General Insurance**

### ***Now, motor dealers can tie up with all insurers – The Times of India – 5th Sept 2017***

In future, you might not have to run around looking for your insurer's authorised garages to get your car repaired after an accident. Any nearest authorised dealer might do. IRDAI's latest circular on motor third-party service providers aims at helping customers by giving motor dealers the option of tying up with all players in general insurance.

Before the IRDAI defined motor insurance service providers (MISPs), motor dealers and showrooms were able to tie-up with only two or at the most three insurance companies. Now, they will be able to tie-up with all 23 insurers in the industry. "Automobile dealers/ intermediaries will now have the option to choose from multiple

insurers within a simplified, regulated framework. More importantly, this move is going to benefit the customers in availing cashless service as automobile dealers shall not discriminate between the policyholders who have bought motor insurance policies through them or otherwise," says Sharad Mathur, head, motor sales and distribution, SBI General Insurance.

And just as insurance agents today are sponsored by an insurance company before they take their exams, motor dealers can also be sponsored by an insurer or an insurance intermediary. MISPs will be assigned a unique identification number (UID) based on their Aadhaar No. They will also have to undergo the same training and examination that point of sales (Pos) persons today undertake to sell microinsurance in rural areas.

Insurers say the new regulations have given greater flexibility for insurers looking to penetrate tier-2 and tier-3 markets. "Earlier a motor dealer could get a license as a corporate agent, which means his business would be restricted to two to three insurers. Now, motor dealers can also sit for an exam and apply for a license; it is very similar to what the government has done with PoS licensed persons. Insurance penetration is expected to go up with the move and it also gives the customer greater choice," said Milind Choudhari, chief financial officer, Bajaj Allianz General Insurance Co. Ltd.

The regulator has said, "MISPs can engage in policy service delivery such as generation of motor insurance policy, receiving instructions from customers with respect to amendment, endorsement, modification, renewal, cancellation, and extension of motor insurance policies. They can also handle claim service delivery such as guiding and assisting the policyholder on insurance claims documentation, claims servicing excluding activities such as claim assessment, claim survey or loss adjustment and settlement."

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### IRDAI Circular

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IRDAI issued circular regarding clarifications on guidelines on insurance e-commerce and electronic issuance of insurance policies

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List of corporate agents registered with the authority as on 31.08.2017 is available on IRDAI website.

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### Global News

#### ***Cambodia: Insurance premiums shoot up by 21% in 1H - Asia Insurance Review***

Cambodia's insurance industry has enjoyed strong growth during the first half of this year, with total gross premiums reaching US\$68 million, an increase of 21% compared with the same period in 2016, according to the Insurance Association of Cambodia (IAC).

IAC Chairman Huy Vatharo said that life insurance accounted for the biggest upswing in terms of percentage, while general insurance, including fire, health and vehicle coverage, saw modest gains, reported *The Nation*.

He said that the industry's growth "reflects a higher understanding among the population and business institutions towards the concept of insurance".

Source

There are seven general insurers and six life insurers in the Cambodian market.

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#### ***Australia: Life insurers face reputational and other challenges - Asia Insurance Review***

The Australian life insurance sector continues to face negative trends, related to heightened claims and reputational risks as well as queries over claims management practices, and the threat of greater regulatory and compliance costs stemming from industrywide reviews, notes S&P Global Ratings. However, at this stage, the international rating agency does not expect these factors to have adverse ratings implications.

The difficult operating conditions have contributed to a number of financial services groups divesting, de-risking, or considering severing their wealth protection operations over the past two years.



**Income protection remains a problem child**

The industry continues to experience heightened income protection claims, a segment that has been lossmaking for the past three years. S&P expects the repricing and amendments to policy terms and conditions over the past 12 to 18 months to take some time before resulting in improved profitability for this class of business. Although there have been significant price rises in most lines of business over the last two to three years, S&P believes this trend will moderate somewhat over the next few years, with insurers mindful of mitigating any affordability problems.

**Industry's reputation**

The life insurance industry's reputation remains somewhat tainted by reports of poor claims management, which triggered a number of reviews and inquiries into the sector over the past two years. S&P anticipates that these reviews could lead to greater regulation and an increase in compliance costs, which could hurt profitability.

Industry participants have been proactive in trying to regain the public's trust by creating a Life Insurance Code of Practice, which outlines a commitment to customer service standards. Twenty-two life insurers have agreed to be bound by the Code from 30 June 2017.

**Capitalisation remains robust**

Capitalisation, a strength of the industry, remains comfortably above the minimum risk-based regulatory capital requirements. In S&P's view, many of the Australian life insurers it rates also benefit from the income diversity associated with asset management operations, and varying degrees of domestic and international group support.

Another supportive factor is the government-mandated lowering of upfront commissions in 2018. S&P believes that the lower commission structure in a concentrated market with strong brand loyalty could facilitate further improvements in lapse rates.

Source

[Back](#)***China: Insurers urged to carry out more green finance research – Asia Insurance Review***

Insurance, securities and asset management companies and banks have been urged to do more research on green financing.

Ma Jun, chief economist of the research bureau of the People's Bank of China, the central bank, called for capacity building for the development of green financing at an event in Beijing this week.

Mr Ma, who is also head of the Green Finance Committee of the China Society for Finance and Banking, called for improvement in capacity to develop analytical methodology and tools, to create a variety of green finance products and to train talent, reported *China Daily*.

Many institutions in China are not aware of the tools for analysing environmental risks, such as scenario and sensitivity analysis tools, which can help them to fund more capital into low carbon and green industries, he said.

There is a lack of awareness about how to quantify the benefits and costs of environmental projection projects, he added.

He also called for capacity building to develop green financing products. He gave examples of how insurance products for green projects, asset-backed securities and carbon emissions rights collateral products can play a positive role in green financing.

China's State Council specified for the first time that the country will establish a green finance system in a document on ecological system reform released in September 2015.

In August 2016, the PBOC and several ministries published a guideline on building the green finance system which included 35 suggestions.

Source

In June this year, the State Council approved a plan to develop five new green finance pilot zones in Zhejiang, Guangdong, Guizhou and Jiangxi provinces, as well as in Xinjiang.

### ***Asia: Index-based agri solutions can boost insurance penetration in region - Asia Insurance Review***

Index-based solutions could in time surpass indemnity-based agriculture insurance in Asia through the help of technology, thus offering numerous advantages to both insurers and insureds.

Speaking at the 4th Asia Agriculture Insurance Conference in Singapore yesterday, Mr Hemant Nagpal, Director, Model Product Management at RMS said one of the reasons for low agriculture insurance penetration in places like China and India is the fragmented nature of farming communities.

Approximately 87% of the world's small farms (less than 2 hectares in size) are found in Asia, with the average size of landholdings set to decrease further due to increasing population and limited land resources. For insurers, the large number of landholdings makes it difficult to administer crop insurance policies, underwrite risks and adjust losses.

"In short, as the landholding and value of the crop decreases, inefficiencies in implementing an indemnity based product increases," said Ms Harini Kannan, Head of Agriculture, Asia Pacific (ex China) at Swiss Re in Singapore.

In turn, index-based solutions (like weather index, yield index), become more feasible, aided by technology that allows insurers to have a granular view of risk at a farm level without the cost of collecting such data manually, said Ms Kannan.

"Technology can provide a rich source of of underwriting and loss assessment data for insurers to improve their index as well as indemnity products," she added.

Ms Kannan believes a combination of technology, parametric and indemnity will be the way of the future in offering agriculture solutions.

However for this to happen seamlessly, all stakeholders – including farmers, (re)insurers, technology providers and local governments – have to be aligned, she said.

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### ***China: Foreign insurers urged to step up ops in health, pension & disaster business - Asia Insurance Review***

The Chinese insurance regulator, the CIRC, has reiterated that it will further open up the industry to foreign insurers by encouraging those that are already operating in the country to develop medical, pension and disaster insurance.

Mr Chen Wenhui, CIRC Vice Chairman, said that the regulator would raise the attractiveness of the Chinese insurance market to foreign insurers by, for example, improving the regulatory system. He was speaking at a meeting with representatives of 10 foreign insurance companies, according to a report posted on the CIRC website.

For foreign insurers which have yet to enter the Chinese market, the CIRC would make entry requirements more favourable. Mr Chen said that through attracting an increased number of quality foreign insurance entities, the Chinese insurance market would improve its structure and see more vigour and orderly competition.

Mr Chen said that currently, there are 57 foreign insurance companies from 16 countries operating in China. He said that the total assets of foreign owned insurers in the country reached CNY1 trillion (US\$152 billion) at the end of last year, compared to CNY3 billion at the time China won accession to the World Trade Organisation in 2001.

He said that the entry of foreign insurance companies into China has brought advanced concepts, technology and products and promoted the development of the industry.

Source

For the first half of this year, foreign owned insurance ventures in China had a 6% share of the life market and a 2% share of nonlife business.



### ***Global: Competition & economic conditions cramps growth at Lloyd's – Asia Insurance Review***

Premium growth at Lloyd's of London (Lloyd's) is likely to slow as competition intensifies and economic growth remains tepid, says Moody's Investors Service.

The emergence of new reinsurance hubs in Singapore and Dubai will also put Lloyd's under added pressure to develop innovative products and services.

"The pressure on rates reflects a combination of mounting competition stimulated by a steady supply of new capital, and suppressed demand due to tepid economic and trade growth," said Ms Helena Kingsley-Tomkins, an Associate Vice President and analyst at Moody's Investors Service.

Helped by its global reach and large collective underwriting capacity, Lloyd's has almost doubled its premium base over the past decade, with a 6.9% compound annual growth rate (CAGR) in premium income over the period as a whole. However, over the last five years the CAGR has slipped to a more modest 4% and Moody's expects lower top line growth going forward and potentially even a decline in 2017/18 as premium rates continue to fall.

The report, "Lloyd's of London - Robust capital and strong franchise, but significant profitability headwinds", also says that Lloyd's profitability has exceeded that of its peers every year since 2012 but the gap is narrowing and its underwriting profitability fell sharply in 2016. Although headline profit was flat, due to stronger investment income and foreign exchange gains, return on equity fell for the third year running, dropping one percentage point to 8.1%. Furthermore, if reserve releases were excluded, Lloyd's would have made an underwriting loss in 2016, with a COR of 103%.

Moody's expects lower premium rates and a slowdown in reserve releases to weigh on Lloyd's underwriting performance again in 2017 and 2018. The market is however, taking steps to increase efficiency to counter this and some respite may also come in the medium term from rising US yields.

Lloyd's has a strong capital structure, but it also has a higher risk appetite than some of its peers. As such, Lloyd's insurers' earnings and capital have become more sensitive to outsized losses as rates and underwriting margins have deteriorated. Nonetheless, Moody's believes that Lloyd's has the ability to withstand a substantial insured loss, as demonstrated by a stress test carried out in late 2016, and could recapitalise if needed.

#### Source

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