



Insurance Institute of India

C - 46, G Block, Bandra-Kurla Complex, Mumbai - 400051

INSUNEWS

- Weekly e-Newsletter

7th - 13th March 2014

• Quote for the Week •

Insurance - an ingenious modern game of chance in which the player is permitted to enjoy the comfortable conviction that he is beating the man who keeps the table - Ambrose Bierce

INSIDE THE ISSUE

News	Pg.
Insu Indst	1
IRDA Reg	2
Health Insu	4
Gen Insu	4
IRDA Cir	5
Global News	5

Insurance Industry

Women make up less than a third of insured Indians - The Times of India

While an increasing number of women have been seeking life and health insurance cover in the past few years, they make up for less than a third of all insured Indians.

"Women account for around 30% of lives insured by us," an official with the public sector giant, Life Insurance Corporation of India, said. "Many of our leading agents are women, but few women in India take financial decisions at home," the official added. Max Life Insurance, a private firm, said it had a 74:26 split between men and women policy holders.

A survey by AC Nielsen on the Indian insurance sector in 2013 showed that less than one in five single working women, excluding those divorced or widowed, took their investment decisions.

The story is no different in the medical insurance sector. "Women purchasers contributed around 14% of our health insurance portfolio in 2012-13," ICICI Lombard's Sanjay Datta said.

But insurance companies see a silver lining appearing emerging in the past few years. Anisha Motwani, director of Max Life Insurance, said, "Women today are not just influencers (with regards to buying insurance policies) but are becoming decision-makers." She said 45% life insurance purchase decisions by working women and one-third by housewives had been taken in their sole capacity. "The incidence of working women investing in life insurance has increased from 53% in 2010 to 59% in 2013. This is significant as the overall penetration increased only from 63% in 2010 to 66% in 2013," Motwani said.

Datta said there has been a steady increase in medical insurance claims by women. "While claims related to women have increased by 5% in 2012 compared to 2011, the same increased by 35% in 2013, compared to 2012."

Source

An LIC official said more working women were buying life cover. "Even if it's only a 1% rise, in absolute numbers there are many women who are buying women-targeted products," he said.

[Back](#)

Government asks Irda to clear the way for insurance companies to invest more in banks - The Economic Times

Insurance companies may be allowed to invest more of their funds in banks and financial institutions, as the government explores ways to infuse additional capital into state-run lenders.

The government has asked the sector regulator - Insurance Regulatory and Development Authority (IRDA) - to raise insurance companies' exposure limit to the banking sector to 30% from 25%, a senior government official said. "IRDA has some concerns that are being looked into," the official said, adding that a decision will soon be taken given that the country's largest insurer, Life Insurance Corporation (LIC), has already touched 22% of the exposure limit.

As per the Reserve Bank of India, state-run banks will need about Rs 4.15 lakh crore to meet the Basel-III norms, of which equity capital will be of the order of Rs 1.5 lakh crore while non-equity capital will be about Rs 2.75 lakh crore. Basel-III capital adequacy ratios will be fully phased in by March 31, 2018.

Last week, finance minister P Chidambaram had said that banks have suggested that pension and insurance regulators should revisit some of their regulations to allow additional investment in tier-I capital of banks. "PFRDA has made some changes but we will talk to IRDA," he had said.

The government allocated Rs 11,200 crore towards capital infusion in banks in 2014-15 against Rs 14,000 crore allocated in 2013-14. The finance minister has also said that the time has come to look for new or innovative ways to raise more capital for banks, adding that a decision in this regard will be taken by the next government.

In 2013, IRDA had increased the sector-specific exposure limit for investments by insurers in information technology and pharmaceutical sectors to 20% of their total investment from 15%. "Concentration of risk is an issue and we have to achieve a balancing act," said an official with IRDA, adding that changes in debt and equity structure can be looked at.

Some experts feel that LIC alone cannot be asked to bear the burden of providing capital support to banks and, in the longer run, it may create issues for the insurer. "There can be a great value for LIC in the long run if the government changes some policies like allowing 49% foreign institutional investment in public sector banks (PSBs). Today, PSBs are underperforming for various reasons but when the economy stabilises, their valuation will improve," said Kishor Ostwal, CMD at CNI Research. The government has committed to keep 51% stake in PSBs and maintain their capital adequacy ratio (CAR) at 8%.

Source

[Back](#)

Insurance-type approach may help end nuclear law row over civil liabilities: Ernest Moniz, US energy secretary - The Economic Times

United States and India could resolve differences over civil liabilities in India's domestic nuclear law by adopting an "insurance" type of approach, US energy secretary Ernest Moniz said.

"What we are looking for jointly is to satisfy all of the needs of both sides, as an example this could be based around an insurance type of approach, so we are looking at it." Moniz refused to elaborate on the insurance based approach except to say that the Indian government is looking at it. "We have reinforced our commitment to do so at an accelerated pace this summer," he added. This comes after reports suggest that at the behest of the Indian government, state-run insurer the General Insurance Company has been doing the groundwork to design a cover package for the nuclear industry that may help address the concerns of suppliers and operators over India's 2010 law on liability.

Reportedly GIC was working on a proposal which involves providing premium rates for specific parts of a power reactor so that the actuarial burden of any direct or indirect liability after an accident can be quantified in advance and factored into any price negotiations between Indian companies like the Nuclear Power Corporation and its Russian, US and French suppliers.

Source

[Back](#)

IRDA Regulation

IRDA arm creates hospital registry - The Times of India

The Insurance Information Bureau (IIB) - a body created by insurance regulator IRDA - has created a registry of healthcare providers and assigned them unique IDs. Creation of this database is the regulator's first step in building an analytics capability for detecting endemics, assessing medical cost inflation, and in detecting fraud. Speaking to TOI, R Raghavan, head of IIB, said that the unique hospital ID registry is a compilation of all the hospitals that are currently in the provider network of health insurance. "The intention is to make the registry open to all hospitals who would like to enrol for future association with health insurers or third-party administrators."

The IIB is also part of a panel under the ministry of health and family welfare, which is developing a template for standard procedures for various ailments. Along with the standardization of procedures, the ministry is also coming out with a costing template. With insurance companies submitting claim data incorporating disease codes, procedure codes and hospital IDs, the regulator would be able to run its fraud analytics software.

Last month, the regulator had made out a request for proposal from providers of fraud detection software. Health insurers say that the software should throw up hospitals where billings are out of kilter or there is a pattern.

According to Sandeep Patel, MD & CEO of Cigna TTK Health Insurance, there is no standardization at present in India with respect to procedures. "The creation of this database will help to analyze and determine the consistency in pricing by hospitals and in turn help us determine how much leeway we can give in terms of pre-authorization," said Patel.

Other health insurers are also very positive on the move to build the hospital registry since there is no accreditation of hospitals in India. "This is a very good initiative. With this as the base, we can start having physical inspections and even map hospitals with GPS," said Segar Sampathkumar, general manager, New India Assurance. At present, insurers know of the existence of many healthcare providers only on paper.

Source

[Back](#)

Former Irda official questions regulator's move to increase FDI cap in intermediaries - The Indian Express

The Insurance Regulatory and Development Authority's (Irda) proposal to look at the possibility of raising the limit of foreign direct investment (FDI) in insurance intermediaries and third-party administrators (TPA) has come under fire with a former top official of Irda accusing the regulator of using back-door methods for enhancing FDI limits.

"The recent notification by Irda appointing a committee for allowing 100 per cent FDI in insurance intermediaries arouses some serious doubts. Irda's new found rationale seems to be that the 26 per cent FDI cap specified in the Insurance Act is applicable only to insurance companies and not to intermediaries and hence there is no need to await the proposed amendments to the Act for enhancing the cap on FDI in intermediaries," former Irda Member KK Srinivasan said.

"As it is, enhancing the FDI limits in insurance sector is no big deal... other critical sectors like banking already permit FDI/FII up to 74 per cent. But what is odd is trying to do it back-door, particularly when Parliament is still debating the amendments to the Insurance Act. Perhaps the immediate beneficiaries of the move could be insurance intermediaries who can offload their stakes for whopping valuations," he said. There was a report, last year, of an insurance broking company selling a 12 per cent stake for Rs 64 crore giving it a valuation of almost ten times its top line, he said.

According to Srinivasan, Irda has been specifying the 26 per cent FDI cap in its regulations dealing with various intermediaries like insurance brokers, TPA, etc. In fact just around a year ago it extended the 26 per cent FDI cap to corporate insurance surveyors as well. Perhaps the 26 per cent FDI cap was applied by the Irda to the entire insurance sector uniformly after seeking and obtaining government guidance and approval.

FIPB and RBI in their guidelines and FAQs also talk about "sectoral cap" implying that the FDI cap is applicable to the entire insurance sector, he said. Irda recently formed a committee to consider the possibility of raising the limit of FDI in insurance intermediaries and TPA. The committee would also examine to what extent the FDI limit can be increased and study the international practices in this regard. Aatur Thakkar, director, Alliance Insurance Brokers said allowing FDI stake beyond 49 per cent for next two years would put local broking industry at a disadvantage.

Source

Health Insurance

Premium for group health insurance may fall 5-10% - The Hindu Business Line

Group health insurance premium rates are not going to pinch employers this year as competition among general insurers is expected to keep rates under check. According to industry experts, despite high claims in the group health insurance segment, rising competition has resulted in insurers being unable to raise rates. The premium rates for group health insurance are likely to soften by 5-10 per cent at the time of policy renewals in April. Group health insurance is the health cover that employers buy for their employees. It is a loss-making portfolio for general insurance companies with a total claims ratio of around 110 per cent (for every ₹100 they get as premium, they are paying out claims worth ₹110). G Srinivasan, Chairman and Managing Director of New India Assurance, which has the largest health insurance portfolio in the industry, said, "We are looking at different strategies depending on the ability and willingness of the corporate to pay premium. We also suggest alternatives like co-pay, reducing the benefits, limiting the room rent availability, and putting restrictions on covers for senior citizens."

Insurers, typically, cross-subsidise group health insurance as they get bulk insurance business from corporates for other lines of businesses such as fire, property and engineering. "Group health was an accommodation business for many years. So two years back, there was a sharp increase in group health insurance rates because we wanted the portfolio to stand for itself. But in the last one year, insurers have started looking at it again as an accommodation business," said Srinivasan. According to Amarnath Ananthanarayan, MD and CEO of Bharti AXA General Insurance, despite losses in group health insurance they have been unable to raise rates due to competition. He said the company is looking at offering not just a hospital reimbursement policy to group customers but also plans to offer other health insurance related products, such as outpatient department coverage for parents and higher deductible super top-up cover which the employee can purchase separately under the group plan. The health insurance industry in India is a highly competitive space with 23 general insurance companies and five standalone health insurance companies.

Source

[Back](#)

'State will settle all health insurance scheme claims' - The Times of India

State health secretary Mita Rajiv Lochan has promised to settle all the pending claims under Rajiv Gandhi Jeevandayi Arogya Yojna (RGJAY), one of the flagship schemes of the state government. Speaking to reporters on Wednesday, the secretary said the health department would be preparing a checklist of the elements that must go into every application made by the beneficiaries so that there is no hindrance or delay while settling the fresh claims at least. Lochan was in the city to take stock of the other health schemes being implemented by the department, including emergency medical services (ambulances) and the blood on call. Lochan said so far 313 beneficiaries have used the blood on call facility provided through 12 blood banks.

RGJAY was launched by Congress President Sonia Gandhi with a lot of fanfare in the city. However, the health insurance scheme attracted a lot of criticism even before its launch. The insurance company is expected to settle the claim within 15 days of the application. But in majority of the cases there has been a lot of delay due to a number of ambiguities. Beneficiaries as well as the hospitals, both government and private, implementing the scheme have been facing a lot of problems in reimbursement of the amount sanctioned for a procedure. There are over 2.11 lakh beneficiary families in state and the insurance company is expected to reimburse about Rs696 crore annually in the scheme.

Source

[Back](#)

General Insurance

General insurance industry's premium income up 19% in Jan - Financial Chronicle

The premium income of Indian general insurance industry, dominated by public sector entities, grew 19 per cent in January to Rs 7,380.72 crore. The four PSU entities - National Insurance, New India Assurance, Oriental Insurance and United India Insurance - saw their gross premium collection rise by 24.59 per cent year-on-year to Rs 4,106.23 crore in January, according to IRDA data. During the month, these four entities accounted for about 56 per cent of the total premium collected by the 27-player general insurance industry. Amongst the private sector players, Apollo Munich saw its premium rise by 52.98 per cent to Rs 166.77 crore in January.

Premium income of ICICI Lombard increased by a marginal 6.6 per cent to Rs 703.22 crore; Reliance General up 14.1 per cent at Rs 184.97 crore.

HDFC ERGO General's premium during the month increased by 9.5 per cent to Rs 231.21 crore. Tata-AIG saw 5.7 per cent rise to Rs 203.46 crore and SBI General's premium income saw a rise of 38.85 per cent to Rs 111.72 crore. The gross premium collection by 23 private players in January were up by 12.62 per cent to Rs 3,274.48 crore.

The gross premium of 4 state-run entities and 23 private players in the non-life insurance market during April-January period of 2013-14 rose by 13.66 per cent to Rs 63,766.76 crore, according to data available with the Insurance Regulatory and Development Authority (Irda).

For April-January period, the premium collected by public general insurance companies grew by 11.77 per cent from a year earlier to Rs 35,674.79 crore, IRDA data showed. Private players' cumulative premium during the first 10 months of the ongoing fiscal increased 16.17 per cent to Rs 28,091.97 crore.

[Back](#)

Source

IRDA Circular

Source

IRDA uploaded the Status of Insurance Brokers as on 28th February, 2014

Source

IRDA uploaded gross direct premium of Non Life insurers underwritten for and upto the month of January, 2014

Source

IRDA released Ver.1.0 of Unique Hospital Id Master to CEOs of all Life & Non-Life Insurers and Third Party Administrators

[Back](#)

Global News

Pakistan: Tax changes proposed to boost insurance – Asia Insurance Review

The Securities and Exchange Commission of Pakistan (SECP), the country's financial regulatory agency, has proposed several amendments to make tax laws more friendly to purchasers of insurance so as to increase insurance penetration in the country, which is currently less than one percent of gross domestic product in Pakistan.

The Insurance Industry Reform Committee of the SECP, in a report issued last month, has proposed a new proviso to exempt the amounts reserved for a policyholder from tax. The Tax Department is trying to impose tax on such reserves – a move which could impede insurance penetration, the committee noted. The committee advised too that a policyholder's bonus should also be exempted from withholding tax.

The committee also spoke against the imposition of turnover tax on gross turnover of all statutory funds maintained by a life insurer. The government is advised as well to amend the tax law to exempt the surplus of participants' takaful fund of general operators from tax. This surplus is not a part of the shareholders' fund or income of the operator and it has to be distributed among the participants or to charity, observed the committee.

It also proposed abolishing federal insurance fees on general insurance policies. Since 1989, the fee has been levied at the rate of one percent of the premium received by a non-life insurer. The committee further suggested that funds accumulated from the imposition of the federal insurance fee be used for the development of insurance industry, such as establishing insurance colleges, conducting public awareness programmes on insurance, loss prevention and road safety as well as providing fire fighting facilities and infrastructure.

In addition, the panel suggested eliminating the federal excise duty imposed on personal line products – health, accident, travel, baggage and other insurance – in the non-life insurance segment. The duty should be waived to encourage low-income groups to buy insurance, the committee recommended.

Source

Pakistan: Health and disaster insurance are priorities – Asia Insurance Review

The Securities and Exchange Commission of Pakistan (SECP) has said that there is a need to promote insurance schemes in the health and disaster management sectors. The financial regulatory agency is also looking to develop reinsurance business.

The top priority in the future plans of SECP as highlighted in its 2013 annual report released last week is to develop the health insurance sector, as out of the total population of around 180 million in Pakistan, only one million are covered by commercial health insurers. SECP has said that it is encouraging health insurers to develop pilot projects in partnership with contemporary distribution channels.

The SECP annual report also highlights the need to develop disaster insurance schemes. It points out that Pakistan is prone to natural disasters and the Commission is working with the National Disaster Management Authority, the World Bank and other stakeholders in this regard. A national-level scheme is being developed for which SECP is committed to providing full support, the report said.

It added that in the current insurance regulatory framework, there exists no specific detailed regulations for reinsurance. Thus, SECP is currently working to introduce specific regulations for reinsurance which will enhance transparency and disclosure requirements.

Pakistan has 40 non-life insurers, including three general takaful operators and one state owned company. There are nine life insurers which include two takaful operators and one state owned company. In addition, there are four foreign insurance companies operating in the country, two each in the life and non-life segments.

Source

Disclaimer:

'Newsletter' is for Private Circulation only intended to bring weekly updates of insurance related information published in various media like newspapers, magazines, e-journals etc. to the attention of Members of Insurance Institute of India registered for its various examinations. Sources of all Cited Information (CI) are duly acknowledged and Members are advised to read, refer, research and quote content from the original source only, even if the actual content is reproduced.

CI selection does not reflect quality judgment, prejudice or bias by 'III Library' or Insurance Institute of India. Selection is based on relevance of content to Members, readability/ brevity/ space constraints/ availability of CI solely in the opinion of 'III Library'.

'Newsletter' is a free email service from 'III Library' to III Members and does not contain any advertisement, promotional material or content having any specific commercial value.

In case of any complaint whatsoever relating 'Newsletter', please send an email to Mr. P.K. Rath, Director, College of Insurance at rath@iii.org.in.

To stop receiving this newsletter, please send email to library@iii.org.in