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Nothing great is ever achieved without enthusiasm

Ralph Waldo Emerson

INSIDE THE ISSUE

Insurance Industry

Insurance claims pouring in from cyclone-hit Andhra Pradesh and Odisha - The Financial Express

Claims have started pouring in from Cyclone Hudhud-hit areas of Andhra Pradesh and Odisha and insurers are gearing up to settle them. "Claims have already started pouring in from the cyclone-hit areas in the two states and we will immediately make interim payment against those claims. For the Jammu & Kashmir floods, we have already settled 40 per cent claims and we are hopeful of settling the remaining by the fiscal end," New India Assurance chairman and managing director G Srinivasan told PTI.

The rate of insurance or even reinsurance might go up due to the two recent calamities. However, insurers are currently busy collecting the data to arrive at a conclusion. "There is no immediate impact on the rates as we anticipate one or two incidents every year. Last year we had the Uttarakhand floods. After all, we will have to wait to see the impact in Vizag area. As of now we don't have full idea.

"Based on the full information of loss we receive from the Hudhud-hit areas, the market would react accordingly," said Srinivasan, who is also the chairman of General Insurers (PSU) Association (GIPSA). Reinsurance rates are soft and generally reinsurers will not be happy to see major losses due to these natural incidents, he added. Still, we will have to wait until February-March when the reinsurance premiums will come up for renewal, Srinivasan said. Meanwhile, insurers are taking various steps to help the victims of cyclone Hudhud in Andhra Pradesh and Odisha. Private sector non-life insurer ICICI Lombard, which offers motor, home, health and other insurance products to its customers in the state, has taken a host of such initiatives.

They include outbound communication to customers to check safety and provide immediate assistance, dedicated hotline number to intimate claims and for query resolution and special teams to expedite claims. "It is our sincere endeavour to provide maximum support to our customers in this hour of need. We are proactively attempting to contact our customers in the worst-affected areas to assist them," ICICI Lombard General Insurance chief, underwriting and claims, Sanjay Datta said.

We are also installing a hotline facility on our helpline number and will ensure speedy claim settlement to help our customers in Andhra and Odisha, he added. The company will station additional manpower including surveyors for quick assessment and claim intimation across all types of claims. The central team has also been geared up to expedite claim processing and approvals.

Meanwhile, the insurers will be filing the second compliance report before J&K High Court on October 27. They already submitted the first compliance report on October 14. "We will be filing our second compliance report before J&K High Court on 27 October," Srinivasan said. In the first compliance report, we have said that we have already paid Rs 127 crore out of 3,000 claims that we had received from J&K as on October 13, a GIPSA official said.

A Bajaj Allianz General Insurance official said, "We are expecting claims to come from sectors like motor and property from Hudhud-hit areas and we have already deployed 150 surveyors in the affected areas for the purpose."

Source

FDI cap hike in insurance to bring in $5 b in next 5 years: Sandhu - The Hindu Business Line

The proposed foreign direct investment (FDI) limit hike in insurance sector is expected to result in inflow of $5 billion over the next 5 years, said GS Sandhu, Secretary, Financial Services. The Government will take steps in the Winter Session to get the pending insurance Bill passed in Parliament, he said at the TIEcon Delhi 2014 event in the Capital on Friday. BusinessLine is a print media partner for the event.

"We are already working on building consensus for this Bill so that the FDI limit can be hiked to 49 per cent," Sandhu told BusinessLine on the sidelines of the event. He clarified that the estimate of $5 billion pertained only to insurance sector and did not include the likely foreign investment into the pension sector. India plans to hike FDI limit in insurance sector from the 26 per cent to 49 per cent. A Bill to amend the existing insurance law for this purpose is currently awaiting Parliament approval. Private insurers are looking forward to the FDI limit hike as it would open the door for more capital inflow into the Indian insurance sector.

Jan Dhan accounts cross 6-cr
The number of bank accounts opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY) has crossed the six-crore mark, said Sandhu. The total savings deposits in these accounts stood at about ₹4,500 crore till date, he said.

Source

"We will initially use the ₹100 crore in this fund. The Government will also bring in a small contribution later if need be," he said.

Back

Insurance Bill to be taken up in Winter Session: FinMin - Financial Chronicle

The long pending Insurance Bill, which seeks to raise FDI cap in the sector to 49 per cent, is expected to be taken up in the forthcoming Winter Session of Parliament. "The Select Committee is looking into the Bill. We will take it up in the Winter Session," a top finance ministry official said.

The reform, according to experts, is expected to increase the flow of foreign investment to the tune of Rs 25,000 crore into the private insurance companies. The move would help insurance firms to get much needed capital from overseas partners.

There are about two dozen private sector insurance firms both in life and non-life segment. The Insurance Laws (Amendment) Bill, which proposes to hike the FDI limit in the insurance sector to 49 per cent, has been caught in a logjam with the Congress-led opposition insisting that it be referred to a select committee.

Bowing to opposition pressure, the government had in August agreed to refer the controversial Insurance Bill to the 15-member Select Committee. The committee is expected to submit its report by the third week of November.

Source

In his Budget 2014-15 speech, Finance Minister Arun Jaitley had said that the insurance sector is investment starved and there is a need to increase the composite cap in the sector to 49 per cent, with full Indian management and control, through the FIPB route.

Back

Life Insurance

Life insurers see H1 income falling nearly 2 pc - Business Standard

The life insurance industry has seen flat growth in new perminum income in the first half of the current fiscal as the regulator IRDA has asked companies to sell only new products, while the non-life players saw their new business growing 10 per cent.

"The prime reason behind the flat result was the high base effect last year following the new guidelines set by the sectoral regulator IRDA, which asked life players to bring in new products. So this year there was no trigger for the industry in the April-September period," Life Insurance Council secretary general V Manickam told PTI.

The new businesses premium collected by the life insurance industry during the first half stood at Rs 49,179 crore, against Rs 50,058 crore a year ago, thus a degrowth of 1.75 per cent, according to the data collated by the Life Insurance Council.

But the fall in the number of new policies sold by the life insurance industry was much sharper with new policy sales plunging 52 per cent to 95,69,626 from 1,99,86,000 in the year-ago period. It can be noted that last year IRDA had asked life insurers to focus on bringing in new products and had set a December 31, 2013 deadline for existing products. This saw companies going on a selling spree.

Interestingly, the new regulatory order was issued by IRDA in this connection on September 30, 2013 with an initial deadline of October 1. But later it extended the expiry date to December end on request from insurers. During September 2013 itself, the companies were able to sell 68 lakh new policies selling existing products and thus underwriting the premium to the tune of Rs 11,223 crore. In contrast, they sold only 22 lakh policies during September this year and thus underwriting premium to the tune of Rs 8,660 crore.

As of now, there are total 450 products being sold by the industry which include 322 products under individual category. All the insurance companies are able to bring sizeable junk of premium now. It shows the acceptability of products in the market, he said.

Source

Back

Health Insurance

Health cover industry sees business touching Rs 65,000 crore by FY '20 - the Economic Times

Insurance companies, both life and non-life, are bullish on their plans of making it big on the health insurance segment, which is one of the fastest growing businesses for them, and have set a target of more than trebling the business to Rs 65,000 crore by FY'20. Health insurance is the fastest growing insurance product for insurers. Last year, the industry did around Rs 18,000 crore and hopes to do Rs 20,000 crore business this fiscal, which should touch Rs 65,000 crore by FY20, General Insurance (PSU) Association chairman G Srinivasan told PTI.

State-run New India Assurance, the largest player in the health cover space, has already filed for a new product under health insurance segment with the sectoral regulator Irda. "We have already filed for a new product under health insurance segment with the Irda and we are waiting for the approval for launch. It's a top-up policy which provides cover beyond a level upto which the cover is being already being provided," Srinivasan, who is also the chairman and managing director of New India Assurance, said.

He was speaking on the sidelines of an event organised by the National Insurance Academy. "The customers will be free to pay premium up to Rs 30 lakh a year under the proposed plan. One can have this top-up plan not only in case if one is our customer but those from outside can also buy this product," Srinivasan said.

New India did a Rs 3,200-crore business in the health segment last year and this year it is eyeing Rs 3,600 crore. In the first half the company has already achieved Rs 1,800 crore of business, he added. Private sector general insurer Cholamandalam MS plans to do business of over Rs 200 crore this fiscal in the category.

"We are likely to see Rs 210 crore business from health segment, while our total premium may touch Rs 2,100 crore this fiscal," Cholamandalam MS General Insurance managing director SS Gopala Rathnam said, adding the company is looking at increasing the health insurance business to Rs 1,000 crore per annum over the next four years from now.

For Tata AIG General Insurance, the focus is on group insurance. "Even though our focus continues to be on individual health insurance, we will go for group cover if we are able to get the right premium," Tata AIG General Insurance chief executive officer K K Mishra said. Reliance General Insurance is more focused on retail health insurance. "One fourth of our business comes from health insurance segment. Our focus will continue to be on retail health insurance," Reliance General Insurance chief executive Rakesh Jain said.

Even life insurers are also there in the space and there is a clear-cut demarcation now. Health insurance products having maturity period of up to three years are being sold by general insurers, while life insurers are selling longer term products, Srinivasan said. The health insurance market has emerged as a significant component of non-life insurance sector and experiences a significant growth because of huge potential of the market coupled with new products efficiency which insurance players are bringing in," Insurance Brokers Association president Sohanlal Kadel said.

Source

Group insurance costs set to rise - The Times of India

Group health insurance will become more expensive for companies where hospitalization claims from employees exceed the premium paid. The insurance regulator has said that it will penalize insurance companies that accept group health covers at a loss as these losses are ultimately subsidized by individual health insurance buyers. The regulator has also asked insurance companies to come up with savings-linked health insurance plan so that individual buyers do not see a spike in rates as they age.

At present, large companies with loss-making group health covers continue to escape rate hikes by shopping for new insurers. The chase to build up top-line growth has resulted in health insurers willing to accept business even if there is little likelihood of generating a profit. According to the Insurance Regulatory and Development Authority (IRDA), insurance companies cite these high losses to raise rates for individual policies where the buyer does not have the bargaining power.

"We have seen cases where insurers are quoting rates below their burning cost. Since insurance business is nothing but pooling of resources, it is clear that if group premiums are inadequate, they are being subsidized by someone else," said IRDA chairman T S Vijayan in his address at a health insurance summit organized by the National Insurance Academy in Mumbai. Burning cost is a measure used to calculate the extent of premium required to cover claim payments. In health insurance, trends in claims under a group policy usually do not vary year to year and pricing is, therefore, based on burning costs.

"We are going to increase solvency margins for companies that accept group health insurance at rates below their burning costs," said Vijayan. "If the group health premium is below the burning costs, we want you to inform your board about this. This will bring discipline into the underwriting process," he added.

Speaking of the need for affordable cover at old age, Vijayan said, "It is essential that there is some kind of a savings-linked health insurance plan. Rather than the premium going up by leaps and bounds with age, a portion of the premium could go towards savings used in old age," he said. Unlike term life insurance where the premium is 'levelled' over the tenure of the policy, in health the contracts are priced annually and rates go up with age.

Reacting to questions on the Central Bureau of Investigation questioning the extent of penalty slapped on Reliance General Insurance for violations in sales of health policies, Vijayan said that IRDA's penalty was in keeping with regulation. "The maximum penalty that can be imposed by IRDA under Law is Rs 5 lakh per offence. We reconstructed the file and found that the company had been penalized for four offences," he said.

Source

Back

General Insurance

Govt asks insurance companies for quick claim settlements - Business Standard

The state government has asked insurance companies to quickly complete the claim settlement formalities for industrial units that had suffered property damages. "The AP Industrial Infrastructure Corporation (APIIC) yesterday held a meeting with the general insurance companies asking them to fast track the inspection and the settlement process so that the units focus on restoration and restart operations at the earliest," JSV Prasad, principal secretary, Industries Department, told Business Standard on Thursday.

Units located in various industrial estates in Visakhapatnam and neighbouring districts are estimated to have suffered a loss of Rs 700-800 crore, according to Prasad. This was only related to the property and the damage of manufactured products at plant sites and the production loss due to the stoppage of work was yet to be ascertained, he said.The enumeration of unit-wise loss is currently under way.

The MSMEs had suffered the most under the impact of high speed winds to an extent where it was difficult for these units to revive the operations without a helping hand, he said. The government was contemplating some kind of a relief package for them.

Meanwhile, the number of people killed in the Hudhud cyclone has risen to 38, according to the official figures released on Thursday.

Source

Reinsruance

Claims from J&K floods, cyclone Hudhud to dent insurers' profits - The Hindu Business Line

The two recent disasters — Jammu and Kashmir floods and cyclone Hudhud — are likely to dent the profitability of general insurance companies in financial year 2015 due to massive destruction of property, vehicles and infrastructure in the affected regions.

Ashok Kumar Roy, Chairman and Managing Director of reinsurer General Insurance Corporation (GIC Re), said insurers were yet to send an estimate of the overall claims from the Jammu and Kashmir region. He added that claims from those affected by cyclone Hudhud will exceed the losses which the industry suffered during cyclone Phailin last year as major industrial losses are expected. Last year, coastal Andhra Pradesh and Odisha were hit by cyclone Phailin and the general insurance industry received agricultural claims exceeding Rs. 1,500 crore.

According to industry estimates, claims from Jammu and Kashmir and cylone Hudhud are likely to exceed Rs. 6,000 crore and most of the losses are likely to be borne by public sector general insurance companies.

Reinsurance rates

Apart from industrial losses from Visakhapatnam, insurers are also expecting massive crop insurance losses primarily from Andhra Pradesh and Odisha. Last year, Agricultural Insurance Corporation of India, the largest crop insurance company in the country, paid out over Rs. 1,200 crore after cyclone Phailin. A senior official from New India Assurance said that while reinsurance rates have been soft for insurers due to overcapacity, major losses from catastrophes may trigger a rise in reinsurance rates during renewal next year.

The insurance regulator has also asked insurers to settle claims expeditiously to help mitigate the hardships of policyholders and raised the losses required to be surveyed by a licensed surveyor to Rs. 50,000 from Rs. 20,000 for a period of two months. Most insurers have launched special claims processing centres and dedicated helplines to help with faster settlement of claims.

Source

Back

IRDA Circular

Source

IRDA uploaded the circular regarding insurance claims of victims of cyclone HudHud in the states of Andhra Pradesh and Odisha to all the CEOs of the Life Insurance companies.

Source

IRDA released the circular regarding special dispensation to insurers under Section 64UM (2) of the Insurance Act, 1938 to all insurers.

Back

Global News

UK motor rates up for first time since 2012 - www.reactionsnet.com

British car insurance rates have risen in the UK for the first time since 2012 because of a rise in fraudulent claims. Q3 motor "shop around" premiums - an aggregation of the five cheapest premiums - rose 1.2% to £531.33 ($852.25), compared with the previous quarter, the AA said.

"This suggests that while there continues to be keen competition amongst the cheapest car insurance providers, claims pressure is pushing premiums up," the AA said in a statement. Though the figure is still 14.4% lower than it was a year earlier, it has encouraged motor insurance investors who have faced nearly two years of plummeting prices thanks to price comparison websites.

Direct Line went up 3.1%, leading the FTSE 350 non-life insurance index, up 1.5% at 11.46 GMT, according to Reuters. Admiral Group's shares rose 3% in morning trade, while shares in Esure Group rose 7.5%. Car insurers have also cut premiums to adjust for government reforms, that came into effect in April 2013, intended to curb fraudulent and exaggerated claims, particularly whiplash injuries, Reuters said.

However, the AA said claims management companies and law firms may have found loopholes around the reforms as many insurers have reported a surge in lower-value 'cash for crash' claims, where people deliberately brake to cause a vehicle to crash into the rear of their car.

Source

According to data from the Association of British Insurers (ABI), an insurance body whose members manage assets worth a quarter of the British economy, fraudulent motor insurance claims are the most expensive and common types of claims.

Back

China: Tightened supervision over sales of non-insurance products - Asia Insurance Review

The China Insurance Regulatory Commission has issued draft guidelines aimed at cracking down on the sale of non-insurance financial products by insurance companies, intermediaries and sales representatives.

In a notice issued on Monday, CIRC said that insurance companies and intermediaries may not sell non-insurance financial products without the approval of the financial regulatory authorities. The products must meet the requirements of the relevant laws and regulations. The insurance entities must also manage their branches to forbid the latter from unilaterally selling non-insurance financial products.

CIRC said that in recent years, there have been several incidents of mis-selling of such products, that in some cases resulted in fraud or illegal fundraising. These proposed new rules, particularly the prohibition against branches marketing products unilaterally, are drafted following several incidents in which the branches or bancassurance outlets of insurance companies are caught selling financial products of trust companies or wealth management firms without the knowledge or approval of their head offices.

The authorities are sensitive to the sale of third-party wealth management or non-insurance financial products because several retail investors, who had bought the products, found later that they were not collecting returns nor could they recover their principal. The most high-profile of these scandals is the fraud discovered in August last year at Shanghai Pan Xin Insurance Agency, which was once the largest insurance agency in the eastern metropolis. The Pan Xin case is reported to have caused losses of CNY100 million (US$16.3 million) to around 3,000 customers.

In the draft notice, CIRC directs insurance companies to audit their branches for the sale of unauthorised products,. The insurers also have to set up separate accounts and separation of funds for the sale of authorised non-insurance financial products. They are to stop with immediate effect the sale of any unauthorised products.

CIRC also calls on its local bureaux across China to establish risk warning mechanisms that cover the sale of non-insurance financial products, carry out regular inspections of insurance companies and their branches or outlets, and improve contingency plans, to ensure early detection, “early warning, early reporting and early resolution” of such risks.

Source

At the end of June this year, Shanghai insurance regulators issued an emergency circular calling for the city's insurance companies involved in the sale of non-insurance financial products to conduct a comprehensive self-audit of their operational staff, and to clean up the sale of third-party financial products, reported the Shanghai Securities News.

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Nepal: Insurance regulator loosens investment rules - Asia Insurance Review

The Insurance Board (IB), which supervises the insurance sector, has allowed insurance companies to invest up to 5% of their total investments in the productive sector or shares of public limited companies specialised in hydropower, health, education tourism and agriculture. The approval is aimed at facilitating such investments. Previously, the IB had approved such investments on a case-by-case basis, reported the Kantipur news website.

IB chairman Dr Fatta Bahadur KC said that the board’s move also aims at addressing the poor infrastructure situation of the country. The board has also allowed life insurance companies to invest a maximum of 2% of their total investments in shares of investment companies.

This clarifies a recent directive which allows life insurers to invest up to 15% of their total investments in the ordinary shares of public limited companies, productive or nationally important sectors and shares of investment companies. "With shares emerging as a major investment area, we eased the rules to make it easier for insurers to invest in shares," said Dr Bahadur. There is no similar provision for non-life insurance companies to invest in shares.

In the new directive, the proportion of investments non-life insurance companies have to make in government securities has been increased to 20% from the previous 15%. However, the percentage of investment in government securities for life insurers has been kept unchanged at 25%. As insurers cannot find the required quantity of government securities for investment, they have been asked to deposit the uninvested portion of such allocated funds in fixed deposit accounts in commercial banks and inform the IB about it.

Source

The circular has asked life insurers to invest at least 70% of their funds in bank fixed deposits, short-term investment instruments, government securities and unit trusts or mutual funds of the Citizen Investment Trust. Previously, they were required to invest at least 75% in these sectors. In the case of non-life insurance companies, the investment in these sectors has been kept unchanged at 65%.

Back

Indonesia: New insurance law provides greater clarity - Asia Insurance Review

Indonesia's new comprehensive insurance law clears up uncertainty over the strategic direction of regulation. It is unlikely to discourage future M&A activity involving international insurers, although it adds some restrictions to foreign investment in the sector, according to Fitch Ratings. The agency maintains that foreign-investor interest in Indonesia's insurance sector will remain high because of the country's low insurance market penetration rate, large population, and the expected growth of its middle class.

The new law provides greater clarity on regulations and the government's policy focus with regards to the industry, replacing the much broader and more general terms written into the previous insurance law passed in 1992.

The passage of the law gives insurance companies comprehensive guidelines on key issues related to foreign ownership, policyholder protections, and takaful products. Notably, the 80% cap on foreign investments in Indonesian insurers remains in place, despite earlier speculation that this might be reduced. The 80% cap is higher than that in several of the large peer nations in south/south-east Asia, and is a key factor encouraging foreign interest in the sector, said Fitch. By comparison, Malaysia has a limit of 70%, while the cap is 49% for Thailand and India.

Maintaining the 80% limit provides the clearest indication yet that the government remains open to foreign investment in the insurance sector. As such, Fitch maintains that international interest in Indonesian insurance will remain strong, with M&A activity expected to continue in the short to medium term.

In addition to the potentially large scale of the market owing to the country's large population, the relatively low insurance penetration rate of only 2.1% of GDP, and an average annual economic growth rate of 5.6% forecast for 2014-2017, should contribute to steady growth for the sector over the long term.

Fitch added that it is important to note that the law has tightened up the requirements for the 20% Indonesian shareholding, closing some loopholes which had enabled higher foreign stakes. Language allowing for "Indonesian legal entities" to qualify as Indonesian shareholders, even if the entity was wholly owned by foreign citizens, has been removed from the new legislation.

This would affect joint ventures fully controlled by foreign investors that are operating in Indonesia. Foreign firms operating under such parameters will have five years to ensure their holdings meet the 80% limit.

Source

Furthermore, the risks of further tightening of foreign ownership limits remain. Government regulations to implement the law, which must be released over the coming two and a half years, could yet effectively reduce the foreign investor cap. There are no signs yet that the government intends to do this, and the likelihood of such action in the short term is low, said Fitch.

China: New solvency rule to slow trust investments by insurers - Asia Insurance Review

The China Insurance Regulatory Commission's (CIRC) decision to impose a stricter solvency rule on insurers' investment in trust products would slow the rapid growth in investments in trust schemes by insurers, according to Fitch Ratings. The new rule also highlights the regulator's growing concern about the insurers' ability to manage the risks embedded within this asset category. Trust products are not as liquid nor as transparent as conventional corporate debt, said the international rating agency.

According to statistics published by CIRC on 14 October, total investments in trust products by 78 insurers came to CNY280.5 billion (US$45.8 billion) at the end of 1H this year, up by 94.5% from end-2013. However, the size of the investments in these products remained modest at about 3% of the insurers' total assets at end-1H14. Although the risk exposure to trust schemes remains tolerable for Chinese insurance sector as a whole, Fitch believes the new rule could strain the solvency margins of high-growth insurers, especially those with material exposure to trust products. These insurers would likely need to reduce their exposure to this asset class.

The risk profiles of trust products are more complex: they are highly dependent on the structure of the trust schemes, the quality of the underlying assets, and the credit strength of the guarantors. The investment horizon for trust schemes range from five to 10 years, making them generally less liquid than corporate debt. CIRC data showed that 53% of the trust schemes that the insurers are invested in have a duration of five years or more. Insurers who invest in trust products also face concentration risk because a large portion of trust schemes are exposed to the real estate sector.

The statistics showed that about 33.1% of the trust schemes were connected to the real estate sector and 17.5% were tied to infrastructure-related projects as at end-1H14. Chinese life insurers have been increasing their allocations to trust products and other higher-yielding assets to raise their investment returns for participating or universal life insurance policies, which they launched in response to tougher competition from banking products following the liberalisation of Chinese investment regulations in 2012.

CIRC started to tighten the admissible asset value of trust products in the calculation of insurers' solvency margin in late September. It reduced the proportion of admissible asset value for trust products by 5 percentage points. For example, the admissible value of trust schemes with an 'AAA' credit rating (on a national scale) will be reduced to 90% from 95% while that of products with an 'AA' rating will be lowered to 85% from 90%. Trust schemes with credit ratings below 'A' will be recognised as non-admissible assets in solvency computations.

Source

Back

Thailand: Foreign insurers eyeing partners with strong distribution - Asia Insurance Review

Foreign insurers would choose the mergers and acquisitions (M&A) route to enter the Thai market, eyeing local insurance companies with strong distribution channels. The Office of the Insurance Commission (OIC), which supervises the insurance industry, did not grant any new insurance licence in Thailand last year, and this is why a foreign insurer would choose the M&A route in the country, reported The Nation newspaper citing Mr Alan Merten, director of Tower Watson's insurance consulting practice for Asia and the Pacific.

They would focus on buying a local insurer with a strong distribution channel such as bancassurance or forming a partnership with a convenience-store operator. Mr Merten said that bancassurance is an attractive option for foreign companies as it has progressed more in Thailand than in neighbouring countries.

"In Thailand, micro insurance can be sold through supermarkets or 7-Eleven convenience stores," he also said. He said social media was another channel that insurers should focus on because it was a tool in customer-relationship management.

He added that Thailand remains attractive for foreign insurers who want to expand their business in Asean, because of the Kingdom's large population which numbers around 70 million.

Commenting on the ASEAN Economic Community (AEC) to be established next year, Mr Merten said that even with the full implementation of scheme, the development of the insurance industry in the region would take time because there was uncertainty over regulations governing the sector in each country

Mr Chris Mayes, Towers Watson's benefits practice director for Thailand, said that the critical challenge for the sector in ASEAN centred on working out how to attract local talent and keep it, because the implementation of AEC would result in the migration of talented people.

Source

Underwriters and actuaries are among the talent in question but the number of actuaries in Thailand is small, which means insurers are unable to avoid the challenge of retaining talented staff, he said.

Back

Fitch welcomes strict CIRC solvency rule - www.reactionsnet.com

Fitch Ratings has welcomed the Chinese Insurance Regulatory Commission's (CIRC) decision to impose a stricter solvency rule on insurers' investment in trust products.

According to the ratings agency, the decision will slow the rapid growth in Chinese insurers' assets invested in trust schemes, which are not as liquid or as transparent as conventional corporate debt.

The new rule also highlights the regulator's growing concern about the insurers' ability to manage the risks embedded within this asset category.

According to the statistics published by CIRC on 14 October 2014, total investments in trust products by 78 insurers came to CNY280.5bn in the first half of 2014, up 94.5% from the close of 2013. However, the size of the investment in these products remained modest at about 3% of the insurers' total assets in the first half of 2014.

Although the risk exposure to trust schemes remains tolerable for Chinese insurance sector as a whole, Fitch said the new rule could strain the solvency margins of high-growth insurers, especially those with material exposure to trust products.

Source

"These insurers would likely need to reduce their exposure to this asset class. The risk profiles of trust products are more complex: they are highly dependent on the structure of the trust schemes, the quality of the underlying assets, and the credit strength of the guarantors," said Fitch in a statement.