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TOP INSURANCE NEWS

Latest POS guidelines to boost intermediary insurance providers

The latest set of guidelines issued by Insurance Regulatory and Development Authority of India (IRDAI) to regulate Point of Sale (POS) for insurance sector will go a long way towards enhancing the penetration as well as density of insurance policies. These new set of guidelines are also hugely beneficial for the relatively new players as they will help them grow their business and reach out to those segments where buying an insurance policy is still considered to be a Herculean task. The two-wheeler segment in auto insurance remains one of the most under penetrated section in the insurance industry. While sale of two-wheelers has grown at a steady pace over the last several years, the number of vehicles with lapsed insurance is also equally high after the first year.

After the one year insurance policy mandatorily provided at the time of purchase expires, people generally tend to forget about getting the policy renewed. Patchy availability of insurance options, lackadaisical enforcement, and insufficient push from insurers for this 'low ticket' segment are the key reasons for this large-scale under insurance in two wheelers. The new POS guidelines allow intermediary players in the insurance sector such as brokers giving comparative insurance rates to appoint agents to work on their behalf. Under previous guidelines, only insurers could appoint dedicated agents for their business and one agent could sell policies only for one company.

On the other hand, POS certified agents of brokers are allowed to solicit and sell retail insurance products for various insurance companies on the condition that they should already be pre-underwritten. This for example includes motor insurance, simple health insurance and travel insurance. Allowing intermediaries to appoint POS persons to sell retail insurance will ensure greater adherence to insurance requirements as well as improve insurance density by making policy purchase extremely convenient and easily available. As the number of trained POS persons increases in the hinterland, this move will definitely emerge as a game changer for insurers and intermediaries, especially for two wheelers in auto insurance.

Source: http://www.moneycontrol.com/news/business/economy/latest-pos-guidelines-to-boost-intermediary-insurance-providers-2295163.html

1st June 2017

Digitisation to drive future of insurance industry

Digitisation has emerged as the most efficient way to reach out to target customers. This applies for selling an insurance policy as well, which has traditionally been known as a 'push' product.

The first step for the insurance industry was to improve search on the internet and to provide offerings that could be easily understood, played around with, and ultimately purchased online. Across the industry, insurers have provided offerings to that effect, focusing heavily on user interface, articulation of product features and benefits, and ease of payments.

As a product category, since we rely on large amount of authenticated customer information (for underwriting the risk), it has pushed us to be innovative in designing our online forms and to look at unique ways of customer authentication (Aadhar-based verification is an example).

The next step is to incorporate the benefits of technology through digitisation. This includes automation of key processes, both on the sales side and in internal operations. Technology has to be employed in facilitating these interactions as well.

The question now arises on how to make use of digitisation for agents who often act as insurers' face before the customers. Distributors have to have access to product collaterals, benefit illustrations, forms, etc., on their mobile devices, so that these can be shared on the point of sale with the customer as well. As far as internal processes go, some revisions in new business and servicing processes are also in order. Since the insurance industry manages many customer documents (KYC, income proofs, etc.), companies need to provide mechanisms where the customer / distributor can simply take a photograph and submit the image.

Digitisation of the sale process has helped to increase the amount of data generated in each customer interaction. This data can be used for further analytics, so that insurers can have an even more minute understanding of customer / distributor behavior. The important thing is to then close the loop. This can be done by using analytics to design smarter offering for customers who prefer to interact directly. Above all, the insurers have to see how digitisation can help them settle claims faster and more efficiently, which has been the industry's sore point since long.

Source: http://www.dnaindia.com/personal-finance/report-digitisation-to-drive-future-of-insurance-industry-2458778

2nd June 2017

National Insurance's actuary understated claims by 4000 crore

In a first of its kind action in the sector, the Insurance Regulatory and Development Authority of India (IRDAI) has issued an order stating Manalur Sandilya, the official actuary of National Insurance Company Ltd, understated claims to the tune of Rs 4,000 crore. The regulator has stated that the "under-reserving by the actuary has resulted in the shortfall of Rs 4,263 crore in the Incurred But Not Reported Claims Reserve (IBNR)" shown in the financial statements of the insurer as on March 31, 2016. It also terminated the appointment of the actuary as mentor to the appointed actuary and barred him from doing any work for United India Insurance for March 2016. IRDAI will not accept or recognize the work of Sandilya for two years. After meetings with the insurance company and the Actuary, on August 2, 2016, IRDAI received an e-mail from the Actuary with an annexure stating that the 'most likely' IBNR estimate as of March 2016 would be Rs 7,293 crore.

However, the Actuary, in his IBNR report, which was received by the IRDAI on August 19, 2016, certified a substantially lower amount of IBNR reserves of Rs 3,030 crore as of March 2016. According to KK Srinivasan, former Member, IRDA "Though this may perhaps be the first time that a regulatory authority has taken action against an actuary for omission and commission in India, there have been instances in other markets. Clause 8B of the IRDA Appointed Actuaries Regulations mandates that it is the duty of the actuary to "ensure the solvency of the insurer at all times". An actuary can certainly be held responsible for not ensuring solvency of an insurer at all times. In the Indian insurance industry, actuaries are believed to enjoy higher pay packets than CEOs of insurance companies. An actuary is a professional who analyses the financial costs of risk and uncertainty in the insurance sector using mathematics, statistics, and financial theory and helps companies and clients develop policies that minimize the cost of that risk.

According to the IRDAI order, the actuary cannot unilaterally decide to understate the IBNR figures in the name of "policy holder's interests" without consulting the board of the insurer and the IRDAI. If the actuary had given the complete and correct picture on the IBNR reserves, it would have enabled the board of the insurer to take timely and appropriate corrective actions in consultation with the Authority for saving the interests of policyholders. According to IRDA the actuary has used international practices such as fair value adjustment and discounted value of IBNR only when it resulted in huge reduction in the IBNR worth Rs 4,263 crore. He, however, has ignored the other international practices that are normally used along with fair value adjustment and discounting of IBNR such as making specific allowance for each risk (for example, data inadequacy), which would have resulted in the increase in IBNR reserves.

Source: http://indianexpress.com/article/business/irdai-manalur-sandilya-national-insurances-actuary-understated-claims-by-4000-crore-4687813/

4th June 2017

Government's health insurance scheme is a complete failure, finds study

The Central government's health insurance scheme, Rashtriya Swasthya Bima Yojana (RSBY), is a 'complete failure', according to a study by researchers at the Tata Institute of Social Sciences (TISS). RSBY was introduced in 2008 to provide health insurance coverage up to Rs30,000 to below poverty line (BPL) families. It provides for cashless insurance for hospitalisation in public and private hospitals. While the government now ambitiously plans to leverage this scheme to a bigger platform, under the National Health Protection Scheme, the findings of this study show that it has fared poorly across the nation since its inception. Scepticism around RSBY arose because there was no evidence on the effectiveness of the programme.

The findings were published in the academic journal Economic and Political Weekly. The study showed till 2014, only 11% of the BPL families were registered under the scheme. For example, the enrollment percentage was 3.65% and 6.27% for Uttar Pradesh and Bihar, two most populous states that account for more than one-third of poor households in India. Another worrisome finding was that the scheme has had no significant impact on the cost of outpatient services which significantly burden patients financially compared to inpatient services. Outpatient services, the single largest contributor of out-of-pocket health expenditure, are covered under the scheme. This would reduce people's health bill. One of the reasons behind no significant reduction in out-of-pocket health expenses for insured families was that patients were often asked to buy medicines and diagnostics. The findings had serious implications at the policy level as the government planned to expand the scheme in the coming months to achieve universal health coverage.

Ghosh further added, “The global experience on insurance unequivocally suggests that a private health insurance (publicly or privately funded)... system is not aligned with the interests of patients. It does not solve the problems of access and inequity in health care, though it serves commercial interests of insurance companies and private corporate hospitals.”

Source: http://www.hindustantimes.com/mumbai-news/centre-s-health-insurance-scheme-is-a-complete-failure-finds-study/story-M59PvgwUZeaKdgoCBtwQ5K.html

5th June 2017

ICICI Bank to sell stake in general insurance JV

Private player ICICI Bank will sell a part of its stake in joint-venture firm ICICI Lombard General Insurance Company Ltd through an Initial Public Offer. According to ICICI Bank “The board of directors of the bank today approved the sale of a part of its shareholding in ICICI Lombard General Insurance Company Ltd (Company) in an initial public offering (IPO) by the Company,” With this, ICICI Lombard is all set to become the first private sector general insurer in the country to go public. The selling of stake is subject to requisite approvals and market conditions.”The size and other details of the offer would be determined in due course,” as stated by ICICI Bank ICICI Lombard, formed in 2001, is a joint venture between country’s largest private sector ICICI Bank and Prem Watsa-run Fairfax Financial Holdings with a valuation of Rs 20,300 crore.

Source: http://www.moneycontrol.com/news/business/icici-bank-to-sell-stake-in-general-insurance-jv-2297371.html

5th June 2017

GST impact: Insurance policy rates may be hiked by 5-10% from FY19

The Goods and Services Tax (GST) regime that will be implemented from July 1 will not only lead to an immediate hike in your policy rates but will also lead to an additional revision due to increase in compliance costs and technology costs for insurers. The GST regime will lead to an increase in overall compliance as well as administrative costs. This will be passed on to customers in the form of a premium hike of 5-10 percent from FY19. The current rate of taxation is around 15 percent for life insurance products which will increase to 18 percent under the GST regime. This would mean a direct increase of 3 percent in the premiums for all policies that are bought or renewed after July 1.

Currently, insurance policies attract a service tax of 12.5 percent. In addition to education cess and Krishi Kalyan Cess is applicable that takes up the rate of taxation to 15 percent. Now, the tax impact will directly be 18 percent for the insurance sector which will be passed on to customers. However, the compliance and technology costs are expected to see an atleast 15 percent jump for insurers and they are looking to pass it on to customers from the next financial year onwards. The insurance industry had sought a zero rating for the sector that would not attract any taxes for customers. However, this proposal was not considered by the ministry and the GST Council fixed an 18 percent tax for insurance and several other services. The insurance regulator has set up a cap of expenses of management which has specified the maximum expenses for each segment of business.

However, with the GST regime, the numbers are expected to see a jump and it is not clear whether any exemptions will be provided under this regime. Insurers have not only sought a lower rate of taxation but also want a centralised registry system that will help them ease the tax disbursal process and also save costs.

Source: http://www.moneycontrol.com/news/business/economy/your-insurance-policy-rates-may-be-hiked-by-5-10-from-fy19-2297185.html

5th June 2017

National Insurance gets time till Mar 2019 to boost solvency but may meet target soon

State-owned insurer National Insurance has been given time till March 31, 2019 to shore up their solvency ratio to 150 percent by the Insurance Regulatory and Development Authority of India (IRDAI). However, company officials anticipate that they will touch 150 percent in terms of solvency margin for FY17 the results of which will be announced in the next few weeks. A senior official of the company explained that while they still have time given by IRDAI, they cannot afford to wait for so long. “Once the results, which are currently under government audit, are finalised, and the accounts are closed, we will start our preparations for the initial public offering,” he added.

As per IRDAI norms, solvency has to be maintained at 150 percent at all times and this is the minimum requirement before an insurer sends a listing proposal to the regulator for approval. National Insurance is among the public sector general insurers that have been selected for being listed on the stock exchanges. The insurer may appoint 2-3 bankers for the IPO by end of July. This financial year, New India Assurance and General Insurance Corporation of India are expected to list. Further, the debenture issue by National Insurance has also evoked a positive response and the issue was oversubscribed despite the underlying liabilities. They had submitted a proposal to IRDAI to raise subordinate debt to the tune of almost Rs 800 crore which will help improve its capital position. Subordinated debt is a loan that ranks below other loans and securities with regard to claims on a company’s assets or earnings.

Here, if the borrowing company fails, this loan will be repaid only after all other debt and loans have been settled. National Insurance’s solvency stood at 131 percent for the quarter ended December 31, 2016. It was 126 percent at end of second quarter. The insurer will appoint bankers by the end of next month and decide on the stake to be divested as well as the valuations to be arrived at. They have also requested IRDAI to permit them to consider their real estate as a portion of their fair value. This will help further improve their solvency.

Source: http://www.moneycontrol.com/news/business/national-insurance-gets-time-till-mar-2019-to-boost-solvency-but-may-meet-target-soon-2297757.html

6th June 2017

ICICI Lombard picks BofA Merill Lynch, I-Sec as advisors for IPO

ICICI Lombard General Insurance has picked Bank of America Merill Lynch (BofA) and group company ICICI Securities (I-Sec) as advisors for its initial public offering. The selection of investment bankers for the IPO is at a very early stage and more investment bankers will be chosen later. ICICI Lombard was a 65:35 joint venture between ICICI Bank, India’s second largest bank, and Canada’s

Lombard till recently when Lombard sold 12.18 percent stake in the company to Warburg Pincus, IIFL Special Opportunities Fund and Clermont Group. Lombard is a group company of Fairfax Financial Holdings, promoted by India-born V Prem Watsa. This deal had valued ICICI Lombard at Rs 20,300 crore.

While there will be no fresh issue of shares, the exact quantum of divestment by the two original promoters will be decided in due course of time. Besides I-Sec and BoA-ML, CLSA, Deutsche Equities, Edelweiss Financial Services, HSBC Securities and Capital Markets, UBS Securities, IIFL Holdings, JM Financial and SBI Capital Markets had also acted as managers in the ICICI Prudential IPO. Since I-Sec is a group company, it can't be the left lead -- the most important banker in the entire IPO process. That mantle is most likely to go to BoA-ML. BoA-ML was the left lead for the ICICI Prudential IPO as well. The left lead coordinates the preparation and writing of the prospectus documents and coordinates the compliance process for approval from the market regulator Securities and Exchange Board of India. Since the process has just started, investment bankers needed to market the issue will be selected later. The listing by India's largest general insurance company in the private sector will also mark the first public float by any general insurance company in the country.

The promoters have twin reasons to go for an IPO at this point of time, one being the record highs in the stock market which will get the company a fair valuation. The other and arguably more compelling reason is that Fairfax is keen to promote another general insurance venture in the country and as per rules, it cannot own more than 10 percent stake in two general insurance companies at the same time. A foreign company can hold up to 49 percent stake in an insurance company. Thus because of the regulatory requirement, Lombard will be expected to shed at least 13 percent stake in the insurer.

Source: http://www.moneycontrol.com/news/business/icici-lombard-picks-bofa-merill-lynch-i-sec-as-advisors-for-ipo-source-2297747.html

6th June 2017

Life Insurance AUM grows 18 per cent to Rs 30 lakh crore in FY 17

Life insurance industry saw 17.78 per cent increase in asset under management during the financial year 2016-17, aided the good growth in the equity market and inflows post demonetisation. During the year, total asset under management grew to Rs 29.80 lakh crore from Rs 25.3 lakh crore in the previous year, according to the data collated by the Life Insurance Council. The trend of private sector companies being net sellers continued in 2016-17. Private sector insurers were net sellers of Rs 438 crore.

While the country's largest insurer Life Insurance Corporation was a net buyer of Rs 16,400 crore. Equity at market value was Rs 7.56 lakh crore as on March 31, 2017 up from Rs 5.95 lakh crore in March 31, 2016. Mostly, insurance companies invest in line with the index. Insurance companies saw fresh inflow coming into Ulips this year as investor sentiment turned positive on equities. While the total business premium income grew 14.2 per cent to Rs 4.18 lakh crore, renewal premium grew by 6.6 per cent to Rs 2..42 lakh crore from Rs 2.27 lakh crore. The equity markets have rallied since last year based on macroeconomic indicators and easy liquidity. Profit booking, inflow in non-linked insurance and redemptions in Ulips also contributed to insurance companies turning net sellers.

Insurance companies invest a large chunk of premium in government securities, which grew 15.2 per cent to Rs 21.67 lakh crore from Rs 18.81 lakh crore. Irda norms, require insurance companies to invest 50 per cent of premium under traditional policies into government securities. LIC which sells mostly traditional invests in government securities in a big way. Assets under non-licked portfolio grew 18.98 per cent to Rs 25.70 lakh crore while linked grew 10.8 per cent to Rs 4.09 lakh crore.

Source: http://economictimes.indiatimes.com/industry/banking/finance/life-insurance-aum-grows-18-per-cent-to-rs-30-lakh-crore-in-fy-17/articleshow/59020129.cms

6th June 2017

Govt scraps plan to merge three general insurers

The government has scraped the proposal to merge three small state-run insurers and has instead asked the three insurers to come up with a revival plan. Earlier the government had planned to merge state-run general insurers Oriental Insurance, National Insurance, and United India Insurance. These insurers together hold 34 per cent of the total market share and it was expected that a merged entity would fetch better valuations at the time of listing. According to the report, the government may look at listing of the three insurers by FY19. The government had in January gave its nod to list five state-run general insurers. It was decided that the government stake in these insurers would be cut to 75 per cent. The move was seen improving corporate governance and risk management of insurers state-run New India Assurance Company, General Insurance Corporation of India (GIC) and other three insurers listed above. The largest general insurer has already applied to the Insurance Regulatory and Development Authority (IRDA) for an in-principle approval for the IPO and is looking to hit the market in the next 6-8 months.

Source: http://economictimes.indiatimes.com/markets/stocks/news/govt-scraps-plan-to-merge-three-general-insurers/articleshow/59049525.cms

8th June 2017

ICICI Lombard's MyRA gets good customer response

ICICI Lombard General Insurance's chatbot MyRA, which has been used by over 60,000 customers since launch, has sold as many as 750 insurance policies without any human intervention. The chatbot MyRA, a virtual assistance platform meant to answer human queries directly, was launched in December 2016. Since launch, over 60,000 customers have utilised the two wheeler specific chatbot, with 10 per cent quotations being generated through the virtual assistance tool. The company has sold over 750 policies through the chatbot without any human intervention. While the SME focused chatbot has been utilised in 4,000 cases. MyRA addresses queries on two wheeler insurance as well as fire and burglary insurance for SMEs. The SME focused chatbot was introduced in April this year.

Source: http://www.business-standard.com/article/pti-stories/icici-lombard-s-myra-gets-good-customer-response-117060801282_1.html

8th June 2017

Merger of HDFC Standard Life Insurance and Max Life fails to get IRDA approval

The Insurance Regulatory and Development Authority of India (IRDA) has denied permission to the proposed merger of Max Life Insurance Co. Ltd and HDFC Standard Life Insurance Co. Ltd (HDFC Life), saying the structure of the deal violates Section 35 of the Insurance Act, 1938, which bars the merger of an insurance company with a non-insurance firm. The development comes after attorney general Mukul Rohatgi, India's top law officer, declined a request from the law ministry last month seeking legal opinion on the proposed merger of Max Life and HDFC Life, leaving the final decision resting with the IRDA.

According to two people directly aware of the discussions, both companies have begun reworking the structure of the deal. HDFC Life and Max Life had announced their merger plans in August last year through a three-step merger process, under which Max Life would first merge with its parent company Max Financial Services, and subsequently the life insurance business would be de-merged from Max Financial and merged into HDFC Life. The transaction would have led to the automatic listing of HDFC Life through a reverse merger process. HDFC Life would hold a majority stake in the combined entity. In November, however, IRDA referred the deal to the Union law ministry after raising concerns that the current structure of the deal was in violation of Section 35 of Insurance Act, which does not allow merger of an insurance firm with a non-insurance firm. The law ministry, in turn, sought an opinion from Rohatgi. As per the original scheme of arrangement, the deadline for IRDA approval was to end in June, while that for court approval in February 2018. The potential merger is expected to create India's largest private sector life insurer, second only to state-run Life Insurance Corp. of India (LIC).

If HDFC Life is listed before the merger, it might be valued similar to ICICI Prudential Life Insurance Co. Ltd, its only listed peer, which trades at a market cap to embedded value of 3 to 3.5 times. HDFC Life, with an embedded value of around Rs12,300 crore, may end up getting a market capitalization of around Rs31,000-37,000 crore, lower than what it can command if it lists as a merged entity.

Source: http://www.livemint.com/Companies/CBGIbJmiwVHYNeSiSQyT8O/Irdai-denies-permission-to-proposed-Max-HDFC-Life-Insurance.html

9th June 2017

LIC sets record on death claims front, settles 99.92% cases

The Life Insurance Corporation (LIC) has pulled off a record claim performance by settling 99.92 per cent of death claims in 2016-17 as against industry average of 95 per cent. The insurance behemoth is keen to push the boundary further, looking to settle 99 per cent claims on a monthly basis too in future. "LIC has settled 99.92 per cent of death claims in 2016- 17, which is undoubtedly one of the best performances not only in the country, but in the world. According to industry body Life Insurance Council, there are a total of 24 players, including LIC, active in the life insurance space and the industry average of death claim settlement stands at around 95 per cent.. Till date, LIC has had nearly 11 lakh such cases outstanding and expects that each and every case needs to be followed up to its logical end. According to the source, the customer relationship management (CRM) department of LIC has been asked to ensure claim particular sheet is prepared for every outstanding case and regular monitoring is done. LIC is making further efforts in the CRM space, where the corporation would like to see visible and perceptible changes in the quality of response to customers, turnaround time in attending to customer complaints or queries, courteous attitude and business etiquette of officials dealing with customers. As for information technology, LIC's immediate focus is to ensure comprehensive cyber security for data, software as well as hardware. This is all the more relevant in the wake of the Wannacry malware attack that hit computers across globe. The corporation may go for a net addition of 69,000 agents, potentially taking its agency strength to 11,31,181 at the end of March 2017.

Source: http://www.dnaindia.com/education/report-lic-sets-record-on-claims-front-settles-9992-cases-2468481

12th June 2017

IRDAI takes over management of Sahara Life Insurance

The Insurance Regulatory and Development Authority of India (IRDAI) has taken over the administration of Sahara India Life Insurance, a first of its kind move in the insurance sector. It has named RK Sharma, General Manager, IRDAI, as administrator to manage the affairs of the insurer. According to TS Vijayan, Chairman, IRDAI "The IRDAI has reasons to believe that Sahara India Life Insurance Co is acting in a manner likely to be prejudicial to the interests of holders of life insurance policies". The administrator will act as per the powers and duties and applicable provisions under the Insurance Act, 1938 and manage the business with the greatest economy, compatible with efficiency and regular reporting to the regulator, the order states. The administrator will also file a report to the authority as regards the insurer, stating the most advantageous course of action in the general interest of the holders of life insurance policies as per Section 52B of the Insurance Act, 1938 as soon as possible. The current board of Sahara India Life is headed by Chairman OP Srivastava. Sanjay Agarwal is whole-time director and CEO. Lucknow-based Sahara India Life Insurance was the first wholly Indian owned life insurance company in the private sector which launched its operations in 2004 with an initial paid-up capital of Rs. 157 crore. It is promoted by Sahara Pariwar Group headed by Subrata Roy. In the long-running SEBI-Sahara case, the Supreme Court in August 2012 had ordered the group to deposit with the regulator over Rs. 24,000 crore collected from nearly three crore investors through issuance of bonds. Roy has also been arrested subsequently and the case is in progress in the apex court.

Source: http://www.thehindubusinessline.com/money-and-banking/irdai-takes-over-management-of-sahara-life-insurance-appoints-administrator/article9725412.ece

12th June 2017

Reliance General to sell 10% through IPO in FY18

Reliance General Insurance is looking to sell 10% through initial public offering in this financial year. It plans to sell 25% in the next three year. Reliance General is the fourth general insurance company to have announced its intentions to list. Board of Reliance General Insurance approved plan to independently list on the exchanges. The move is aimed at unlocking value for all stakeholders. Reliance General is a 100% owned subsidiary of Reliance Capital. The listing process will be completed by this financial year subject to regulatory approvals.

“The General Insurance industry is slated to grow with the economy where affluence led consumption will act as its primary growth driver,” as stated by Rakesh Jain MD and CEO Reliance General Insurance.

The listing will enable retail investors to participate in this high growth and new wealth creation opportunity. The industry has been growing at 16-18% on a year on year basis. It grew by 32% last year, with the contributions of crop insurance which emerged as a significant segment for insurers. Reliance General reported 40% growth in gross written premium to Rs 4,007 crore as on March 31 2017. It has networth of Rs 1257 crore. Reliance General had reported profit before tax of Rs 130 crore. It has combined ratio of 120%. Combined ratio is a measure of profitability for general insurance companies. Combined ratio below 100% shows that company is making profit in writing core business.

The company has share capital of Rs 126 crore. It has reported underwriting losses of Rs 300 crore during the last financial year. A general insurance company’s underwriting losses is offset by investment income. The investment book was up 25% to Rs.6,724 crore for the year ending 31st March, 2017. The Company has a diversified distribution network through partnerships with banks including IndusInd Bank, Catholic Syrian Bank, Andhra Bank and Bank of India.

Reliance General has been for a strategic partner for over last four to five years. It will continue to look at inorganic growth as well as strategic partner post IPO. The company operates through 129 branches and 24,500 agents across the country.

Source: http://economictimes.indiatimes.com/markets/ipos/fpos/reliance-general-insurance-plans-ipo-may-get-rs-6000-crore-valuation/articleshow/59109866.cms

12th June 2017

Bain Capital may invest $250 million in Star Health

Marque PE fund Bain Capital is in early talks to invest as much as $250 million in Star Health & Allied Insurance for a significant minority stake valuing the company at a billion dollars, in what could be the single largest private equity deal in the insurance space. The transaction, if successful, will come as a pre-IPO round of funding and will buy out shares held by other financial investors including Sequoia Capital, ICICI Venture, Tata Capital and Oman Insurance Co.

Kotak Mahindra Capital is running a formal process to find the investor and a transaction may happen in the calendar year itself. Star, the country’s first standalone health insurer, is also set to be the first to get listed later this year. The transaction would be bigger than the pre-IPO placement of ICICI Prudential, in which a group of investors led by Morgan Stanley and Government of Singapore Investment Corp (GIC) pumped in Rs 1,635 crore. Boston-based Bain Capital, which manages $75 billion globally, is one of the aggressive private equity investors in India. The buyout fund has invested nearly $1.5 billion across sectors in India. With increasing cost of quality healthcare, health insurance has become a major imperative. Being the first mover, Star could create deep pockets for its business. The insurer, with a capital base of Rs 1,050 crore, deals in personal accidents, mediclaim and overseas travel insurance.

The company has seen multiple rounds of private equity infusion. ICICI and Sequoia first invested in it in 2010-11 and has committed capital in two more rounds, while Tata Capital picked up a stake in the company in 2013. Star Heath has been growing at 35-40% CAGR over the past couple of years. Its gross written premium income expanded 47.58% on a year on-year basis to Rs 2,962 crore at the end of March 31, 2017. It has a market share of 2.33% in the general insurance industry, more than the combined market share of the four other standalone health insurance companies.

Source: http://economictimes.indiatimes.com/news/company/deals/bain-capital-may-invest-250-million-in-star-health/articleshow/59147573.cms

13th June 2017

SBI may look at IPO of general insurance business next fiscal

State Bank of India stated that it may look at taking the general insurance business public next fiscal, ruling out any such move in 2017-18. SBI General Insurance is a joint venture between SBI and Insurance Australia Group. While SBI holds 74 per cent stake in the JV, the rest is with IAG. According to SBI Managing Director (associates and subsidiaries) Dinesh Kumar Khara they have reported profit in 2016-17 and we will wait for a year or so before going for IPO. However SBI Life Insurance will go in for the initial public offer (IPO), wherein SBI and its foreign partner Cardif together offload 12 per cent stake, within a few months. SBI proposes to sell 8 per cent, while Cardif of France, 4 per cent. On SBI General Insurance, Khara stated that the company has achieved break-even in 2016-17, the 6th full year of operations, and recorded a profit of Rs 153 crore as against the loss of Rs 120 crore in 2015-16. Its gross written premium rose by 27 per cent to Rs 2,607 crore in 2016-17, as compared to Rs 2,041 crore in the previous fiscal. At the end of March 31, 2016, SBI Life had an embedded value -- present value of future profit -- of Rs 13,000 crore. Solvency ratio was 2.04 as against the regulatory mandate of 1.5. It had lowest operating expense in the industry of 7.8 per cent, down from 9.2 per cent a year ago.

SBI Life is a joint venture between SBI, the country's largest lender, and BNP Paribas Cardif. SBI owns 70.1 per cent in the insurer, Cardif - 26 per cent, and KKR and Temasek the remaining stake.

Source: http://economictimes.indiatimes.com/markets/stocks/news/sbi-may-look-at-ipo-of-general-insurance-business-next-fiscal/articleshow/59201676.cms

18th June 2017

Bandhan Bank looks to cross-sell insurance products, mutual funds

Bandhan Bank is planning to start cross-selling of insurance products and mutual funds through its branches by September. According to Chandra Shekhar Ghosh, Managing Director and CEO, talks have already begun. He, however, did not specify whether it was general insurance or life insurance offerings or both that the bank was exploring, but maintained that all possible options are being looked into. As the MD and CEO points out, the idea of cross-selling is not to shore up revenues, but to be a one-stop-shop for Bandhan's customers.

Phase-wise launch

In fact, Bandhan will initially start with such third party offerings across its metro and urban branches. It will then be followed by roll-outs across semi-urban markets with rural areas coming in at later stages. The target audience in the initial days will be Bandhan Banks metro and urban customers. Depending on the response, they will take it to other markets. The bank already has 840 branches across the country and is planning to take the number up to 1,000 by end of FY18. Its customer base stands at 1.07 crore.

Business growth

This year their plan is to increase business (both advances and deposits) by "at least 30 per cent" with a focus on the retail loans such as affordable housing and loans to small enterprises and so on. Of the 23,500 crore-odd advances, nearly 91 per cent are micro-finance loans. The remaining 9 per cent are mostly retail offerings such as loans against property, housing loans, personal loans, two-wheeler and small vehicle finance options, gold loans. While the focus on its retail portfolio will increase, the percentage break-up is not set for much of a change. In FY-18, it will be around 90:10 (micro-finance to retail).

As a conscious strategy, the bank will still stay away from large corporate lending and farm loans as of now as stated by Chandra Shekhar Ghosh, Managing Director and CEO.

GST awareness

Meanwhile, Bandhan Konnagar, the NGO, will be holding GST sensitisation programs for small enterprises. It will also look to have an awareness drive on the need of Aadhaar cards.

The NGO already is working on financial literacy programs and on issues such as women empowerment, child education and so on.

Source: http://www.thehindubusinessline.com/money-and-banking/bandhan-bank-looks-to-crosssell-insurance-products-mutual-funds/article9729933.ece

18th June 2017

SBI may look at IPO of general insurance business next fiscal

According to State Bank of India they may look at taking the general insurance business public next fiscal, ruling out any such move in 2017-18. SBI General Insurance is a joint venture between SBI and Insurance Australia Group. While SBI holds 74 per cent stake in the JV, the rest is with IAG. "It has reported profit in 2016-17 and we will wait for a year or so before going for IPO" as stated by Dinesh Kumar Khara SBI Managing Director (associates and subsidiaries).

SBI Life Insurance will go in for the initial public offer (IPO), wherein SBI and its foreign partner Cardif together offload 12 per cent stake, within a few months. SBI proposes to sell 8 per cent, while Cardif of France, 4 per cent. On SBI General Insurance, Khara stated that the company has achieved break-even in 2016-17, the 6th full year of operations, and recorded a profit of Rs 153 crore as against the loss of Rs 120 crore in 2015-16. Its gross written premium rose by 27 per cent to Rs 2,607 crore in 2016-17, as compared to Rs 2,041 crore in the previous fiscal and SBI Life Insurance will soon file the Draft Red Herring Prospectus (DHRP), but did not provide the timeline.

At the end of March 31, 2016, SBI Life had an embedded value — present value of future profit — of Rs 13,000 crore. Solvency ratio was 2.04 as against the regulatory mandate of 1.5. It had lowest operating expense in the industry of 7.8 per cent, down from 9.2 per cent a year ago. SBI Life is a joint venture between SBI, the country's largest lender, and BNP Paribas Cardif. SBI owns 70.1 per cent in the insurer, Cardif - 26 per cent, and KKR and Temasek the remaining stake.

Source: http://www.moneycontrol.com/news/business/sbi-may-look-at-ipo-of-general-insurance-business-next-fiscal-2306909.html

19th June 2017

Irdai increases limit for raising funds on 'exceptional basis'

The insurance regulator increased the limit for raising funds on 'exceptional basis' under other forms of capital, a move that will help insurers boost solvency margins when the sector is growing at fast pace. According to IRDAI they now proposed to relax the provisions on an exceptional basis to provide that funds could be raised through other forms of capital up to the extent of 25% of equity share capital plus share premium account or net worth, whichever was higher in situations which may so warrant. Earlier, Irdai had been placed the ceiling for raising funds through other forms of capital at 25% of equity share capital plus shares premium account. Many insurance companies including National Insurance, ICICI Lombard had raised funds through debt. Cholamandalam MS General Insurance had raised Rs 100 crore through non-convertible debentures to fuel growth.

In March, state-run National Insurance Company had raised Rs 893 crore through subordinated debt from insurance companies and pension funds. This helped insurer shore up its solvency margin, which is below the stipulated limit. Post amendment to the Insurance Act, Irdai has the power to form regulations on capital and fund raising by companies. Four general insurance companies including New India Assurance, General Insurance Corporation, ICICI Lombard and Reliance General has announced their plans to go public by listing on the stock exchange.

Source: http://economictimes.indiatimes.com/markets/stocks/news/irdai-increases-limit-for-raising-funds-on-exceptional-basis/articleshow/59221519.cms

19th June 2017

GST: Credit card bill, insurance premium to get costlier

Credit card providers, banks and insurers have started alerting their customers to pay higher tax post implementation of Goods and Services Tax (GST) from July 1. Customers currently pay 15 per cent service tax for such services. Starting from July 1, 2017 the GST will replace all indirect taxes like service tax and VAT. Financial services and telecom have been put in the 18 per cent GST slab. SBI Card has sent SMS to its customers alerting about the higher incidence of tax. Banks like Standard Chartered and HDFC are also sending messages related to GST to their customers.

ICICI Prudential Life Insurance, in email messages to its customers, stated that premium payable on term policy and fund management charges on a Unit Linked Insurance Policy will attract 18 per cent GST post implementation of the new indirect tax regime. These products currently attract 15 per cent service tax. GST will be levied at the rate of 2.25 per cent on premium payment for endowment policy. Currently, customers pay 1.88 per cent service tax on endowment policies. Parliament's historic Central Hall will host a midnight function on June 30 to launch the nation's biggest tax reform GST. President Pranab Mukherjee, who had piloted the first Constitutional Amendment Bill to bring in GST in 2011 when he was finance minister in the previous UPA regime, will share the dais with Prime Minister Narendra Modi on the occasion.

Source: http://economictimes.indiatimes.com/wealth/personal-finance-news/gst-credit-card-bill-insurance-premium-to-get-costlier/articleshow/59236266.cms

20th June 2017

Bajaj Allianz Life deepens focus in mass affluent segment

Private life insurance company Bajaj Allianz Life Insurance has now deepened its focus in the mass affluent segment in terms of their business. The insurer is looking to target the segment with specific products catered to their needs. The insurer's mass affluent segment has risen to 36 percent in FY17 from 23 percent in FY16. In this space, Bajaj Allianz Life has now launched the Future Wealth Gain with guaranteed loyalty additions. These additions will be paid every fifth year once a customer completes 10 years in the policy. This plan offers customers a choice of two variants, 'Wealth Plus' and 'Wealth plus Care'. The plan aims to maximize one's wealth by investing in capital markets.

This is a non-participating unit-linked insurance plan (Ulip) plan with a regular and limited payment premium option. In terms of the business mix, Bajaj Allianz Life has a higher proportion coming in from the Ulip segment than the traditional segment. They have seen a 50 percent rise in terms of the mass affluent segment customers on a year-on-year since we are putting lot more focus on this as compared to mass market segment," Under the 'Wealth Plus Care Variant' in this product, in addition to the death Benefit, the customer is entitled to an Income Benefit, payable on death or first diagnosis of cancer of the life assured during the premium payment term. Here, the Income Benefit is the remaining regular premiums due under the policy after the date of death or diagnosis of cancer. Bajaj Allianz Life is also planning to tap into the critical illness coverage - a major goal for individuals.

In terms of their distribution reach, agency is the largest channel of distribution. The company added 18,000 new agents in FY17 and Rs 250 crore of premiums was generated by these agents in the last financial year. At a time when there are controversies surrounding insurance companies investing in tobacco firms, Bajaj Allianz Life has also launched a New Fund – Pure Stock Fund II, apart from seven other fund choices previously available with the Investor selectable portfolio strategy. This fund does not invest in firms operating in the areas of tobacco products, alcohol or gambling.

Source: http://www.moneycontrol.com/news/business/bajaj-allianz-life-deepens-focus-in-mass-affluent-segment-2310301.html

22nd June 2017

ICICI PruLife renews focus on health insurance space

With health inflation in double digits, private life insurer ICICI Prudential Life Insurance is looking to expand its presence in the health insurance space. As part of this proposition, the insurer has launched ICICI Pru Heart/Cancer Protect that pays part of the insurance cover amount to the customer on diagnosis of a heart ailment or cancer. According to Puneet Nanda, Executive Director at ICICI Prudential Life Insurance, "The biggest under-penetration in the market is in the health space. This is an area of opportunity for insurers like us, especially in the segments of cancer and heart which account of 50 percent of all deaths in India."

Overall, the insurer is looking at protection business growth outpacing the savings business. In FY17, ICICI Prudential Life saw an 87.1 percent growth in protection business to Rs 260 crore in terms of annualised premium equivalent. For FY17, protection business constituted 3.9 percent while savings constituted 96.1 percent. Nanda explained that they tried to create a specific proposition to cover both cancer and heart ailments. Even for minor conditions, he added that they will pay 25 percent of sum assured at diagnosis. To ensure hassle-free onboarding, the insurer has done away with the requirement of undergoing medical tests to take the product. There is a six-month waiting period after which claims can be made for conditions pertaining to cancer and heart-related ailments.

Even after the payment on diagnosis, the policy continues without the customer having to pay any future premiums. For a premium of Rs 100 per month (for a 30-year-old non-smoker with a 20-year policy term) a customer can get a cancer cover for Rs 20 lakh or a heart cover for Rs 10 lakh. According to World Health Organization, India has the highest rate of cardiac arrests in the world and it is estimated that 2 lakh heart surgeries are conducted every year. Further, as per Indian Council for Medical Research, cancer cases are expected to rise by 25 percent by 2020. Every 13th new cancer patient is from India, according to National Cancer Institute (US Dept. of Health and Human Services).

Source: http://www.moneycontrol.com/news/business/companies/icici-prulife-renews-focus-on-health-insurance-space-2310377.html

22nd June 2017

Kotak General Insurance eyes Rs 200crore total premia in FY18

Kotak General Insurance is looking at achieving Rs 200 crore in total premia by the end of the current fiscal from existing Rs 84 crore. Moreover, the private sector general insurer is targeting a three-fold increase in business in terms of policies to 3 lakh from the current mark of around 1 lakh within the next couple of years. According to Mahesh Balasubramanian, Managing Director and Chief Executive of Kotak General Insurance, they have already clocked Rs 84 crore in total premium within one year of operation. Now, they are eyeing to take it to Rs 200 crore by the fiscal-end.

Source: http://www.dnaindia.com/business/report-kotak-general-insurance-eyes-rs-200crore-total-premia-in-fy18-2480815

22nd June 2017

IRDAI may tweak structure of pension products sold by insurers

The product structures of pension products sold by insurance companies may see some tweaking. In the industry-regulator meeting, Insurance Regulatory and Development Authority of India (IRDAI) raised concerns on the low sales of the pension products. With a tough regime and little opportunity to innovate, the regulator may bring out some changes in the product structure. At one point, pension products used to constitute about 25 percent of the business of life insurers. This has now dropped to a single digit and is a matter of concern.

During the annual review meeting of the insurance companies held in Hyderabad, IRDAI acknowledged the concerns of life insurers in this space. The product faces tough competition from the National Pension Scheme (NPS), which has better tax incentives and investment opportunities. A senior life insurance executive stated that the current regime has been tough and therefore, insurers are able to offer only a basic guarantee product in the pension space. Five years ago, there were changes in the pension segment regulations that had made it mandatory for insurance companies to offer a non-zero return on the products that they offer. This was on account of the fact that the maturity fund from these policies would be used as a retirement corpus by policyholders.

The regulator has insisted that annuity should be brought from the same insurer. Also, no partial withdrawals are allowed which has made it difficult to sell them. Further, several insurers have stayed away from investing heavily in the equity markets for fear of returns getting impacted if the product is surrendered in the short-term. NPS invests in equity and does not bear service tax while the pension products have service tax attached to them. With the goods and services tax (GST) regime, the pension products may also get slightly expensive since insurance sector has been put under 18 percent tax bracket as against 15 percent earlier. Life insurers had sought a further tax exemption for investment into pension products. But, no such provision was made by the finance minister in his budget announcements.

Source: http://www.moneycontrol.com/news/business/economy/irdai-may-tweak-structure-of-pension-products-sold-by-insurers-2311273.html

23th June 2017

Irdai directs Sahara India Life Insurance to stop underwriting new business

After appointing an administrator to oversee Sahara India Life Insurance's business, the Insurance Regulatory and Development Authority of India (Irdai) through a circular has directed the life insurance company to stop underwriting new business with immediate effect. Under Section 52 (B) 2 of the Insurance Act 1938, the regulator has asked the company not to procure / collect proposal deposits / underwrite new business with immediate effect.

Moreover, the company has been asked to inform all its agents and intermediaries of the decision so that they do not accept proposal deposits towards new insurance business. However, Irdai has allowed the life insurance company to continue its business as far as its existing business is concerned as the existing policy holders should not experience any hindrance of service. They can also continue to accept renewal premiums from the existing policyholders. According to IRDAI the order issued under Section 52 (B) 2 of the Insurance act will be binding on all persons concerned, according to Section 52 (B) 3 of the Insurance Act,1938.

Earlier, Irdai owing to irregularities in the financial statements of Sahara Life Insurance had appointed an administrator after it reached a conclusion that the insurer is working in a manner which is likely to be 'prejudicial to the interests of the holders of the life insurance'. The action was taken according to Section 52 A of the Insurance Act.

Source: http://www.business-standard.com/article/finance/irdai-directs-sahara-india-life-insurance-to-stop-underwriting-new-business-117062301226_1.html

24th June 2017

Insurance misselling: Double whammy for banks as RBI widens net

Banks that have been registered as corporate agents in the insurance space for selling policies may be in for a higher rate of penalty over any misselling complaints. While Insurance Regulatory and Development of Authority of India (IRDAI) already has a system in place for imposing penalties on corporate agents, including banks, the Reserve Bank of India (RBI) has now widened the scope of its Banking Ombudsman Scheme 2006, to include deficiencies arising out of sale of insurance and other third party investment products by banks. In its revised scheme, RBI stated that any person can file a complaint with the Banking Ombudsman against a bank for improper, unsuitable sale of third-party financial products like insurance, non-transparency/ lack of adequate transparency in sale.

It also includes non-disclosure of grievance redressal mechanism available and delay or refusal to facilitate after sales service by banks. Hence, if a complaint is filed by an individual with both the Insurance Ombudsman as well as the Banking Ombudsman, the bank will be liable to pay penalty twice. Banks which sell insurance products through the bancassurance route are allowed to sell products of three life, three non-life and three standalone health insurance companies through their branches. While earlier IRDAI had put liability of insurance sales by banks on the company whose policies are sold, the regulator was revised to make banks liable for the products being sold.

Misselling complaints, referred to as 'unfair business practices', constitutes the highest chunk of the total number of complaints filed against life insurance companies. This include wrong sale of product, loading on products and higher returns being promised. Especially in segments like personal loan, several banks make purchase of insurance mandatory. Further, large public sector banks also push customers to buy personal accident plans at the time of account opening.

Source: http://www.moneycontrol.com/news/business/economy/insurance-misselling-double-whammy-for-banks-as-rbi-widens-net-2311575.html

25th June 2017

New India Assurance IPO likely to hit capital market by December

Gearing up for the first-ever IPO by a PSU insurer, New India Assurance will soon be filing preliminary papers with markets regulator SEBI so that it can hit the market by December. New India Assurance is the largest among the four PSU general insurance companies that are wholly-owned by the government. “We are hoping that the initial public offer (IPO) process gets completed by the end of the calendar year if market conditions are favourable,” as stated by New India Assurance Chairman-cum-Managing Director G Srinivasan.

The company is in the process of filing the draft red herring prospectus (DRHP) for the proposed issue. The authorised share capital of the company stood at Rs 300 crore and the paid-up share capital Rs 200 crore as on March 31, 2016. The government holds 100 per cent stake in the company. New India Assurance has reported a net profit at Rs 1,008 crore in 2016-17, up 22 per cent over the previous year, driven by investment income which whittled down the high underwriting losses. The insurer, with 16 per cent market share, had a domestic premium income of Rs 19,115 crore, a growth of 27.17 per cent from Rs 15,115 crore a year before. Headquartered in Mumbai, New India Assurance is the only Indian entity to have a trading desk at Lloyd's of London, the provider of specialist insurance services.

In January this year, the Union Cabinet had approved the listing of general insurance companies in stock markets. The government, which currently holds 100 per cent in five public insurers -- New India Assurance, National Insurance, United Insurance, Oriental Insurance and reinsurance company General Insurance Corporation is looking to raise Rs 11,000 crore by selling its stake in general insurers. The government had approved dilution of up to 25 per cent equity stake in the five companies in tranches. New India Assurance and General Insurance Corporation have already appointed bankers and legal advisors.

Source: http://economictimes.indiatimes.com/markets/stocks/news/new-india-assurance-ipo-likely-to-hit-capital-market-by-december/articleshow/59308676.cms

25th June 2017

IRDAI spent only 40 per cent of ad budget in 2016-17

Unable to spend even 50 per cent of earmarked funds for insurance awareness last fiscal, Irdai is looking for innovative methods to utilise this year's advertisement budget that has been raised to Rs 66.5 crore. The government is keen on increasing insurance penetration in the country, especially in remote areas. The Insurance Regulatory and Development Authority of India (Irdai) makes use of various platforms like newspapers, television, radio and outdoor publicity to create awareness about importance of insurance. Irdai had a budget of Rs 60 crore towards advertisement, but only an estimated Rs 24 crore, or 40 per cent, was spent. The advertisement for consumer affairs department of Irdai for 2017-18 has been budgeted at Rs 66.50 crore.

While increasing the budget for the current financial year, the regulator is planning for more advertisement. Towards this purpose, Irdai has started scouting for creative agencies for production of TV spots, radio jingles, and organising exhibitions. It also has plans to empanel agencies to carry out publicity campaign at the national level. The empanelment will be for two years extendable by another one year. The regulator looks to spend funds on advertising programmes for promoting insurance awareness among the public, issuing notices, quarterly journal and calendar, among other activities.

During the first decade of insurance liberalisation, the sector has reported a consistent increase in market penetration to 5.20 per cent in 2009, from 2.71 per cent in 2001. Since then, this has been in decline. However, there was a slight increase in 2015, when it reached 3.44 per cent compared to 3.3 per cent in 2014. While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population (per capita premium).

Source: http://economictimes.indiatimes.com/industry/banking/finance/irdai-spent-only-40-per-cent-of-ad-budget-in-2016-17/articleshow/59307504.cms

25th June 2017

Soon, a toll-free number to register all insurance complaints

Insurance policyholders may soon get a new service to register their complaints over a call to through the Integrated Grievance Call Centre

(ICGC). Karvy Data Management Services will handle the IRDAI IGCC for five years. IGCC aims to facilitate communication between the insured public, insurers and IRDAI to improve the working of the grievance redressal mechanism. No other financial services industry has a single call centre to register all kinds of complaints. Insurance Regulatory and Development Authority of India (IRDAI) has established Consumer Affairs Department to oversee compliance of insurers with respect to Protection of Policyholders' Interests Regulations and also to empower consumers by educating them on Grievance redressal mechanisms.

IGCC would be managed with a toll-free number giving a cost-effective option to empower consumers by educating them and providing all basic assistance concerning registration of grievances. It is envisaged that the IGCC would not only attend to phone calls, e-mails but also complaints forwarded by Consumer Affairs Department (CAD) of the authority, subject to internal procedures, complaint registration process and other process requirements. IGCC would examine and act on complaints received over phone and e-mails at the first level and the letters forwarded by the CAD, IRDAI and then escalate them to the respective insurer. This aims to be a comprehensive tele-functionalities (both manual and IVR) to all insurance consumer segments, serving as a 12 hours/6 days (8am-8pm) service platform, offering multiple languages and integrating channels.

Under this system, Karvy Data Management Services has to ensure a minimum of 99 percent of end-to-end uptime (calculated on a monthly basis) for the smooth functioning of all the activities and shall agree for suitable penalty clauses in case of failure to provide the required uptime. Currently, individuals file complaints with the respective insurers which are recorded by the Integrated Grievance Management System (IGMS). All details of the grievance including type and time taken to resolve it is captured in IGMS. With IGCC, all data could be routed through the call centres to each insurer.

Source: http://www.moneycontrol.com/news/trends/current-affairs-trends/soon-a-toll-free-number-to-register-all-insurance-complaints-2313969.html

28th June 2017

Insurance penetration in India at 3.42%, far below global average

India's current insurance penetration rate stands at 3.42%, far below the global average of 6.2%, say an industry report. "A 1% rise in insurance penetration translates into 13% reduction in uninsured losses-an increased investment equivalent of 2% of national GDP and a 22% reduction in taxpayer's contribution," stated the report. The report, which is provided to the insurance regulator and finance ministry, focuses on key areas that need to be addressed from a policy, regulatory and market development perspective. "The regulatory framework and support tends to over-regulate, predictably the cost of compliance is high besides the regulatory policy is less development oriented," as stated by Arun Agarwal during the press conference. With 17% of the world's population, the Indian insurance market accounts for less than 1.5% of the world's total insurance premium as India is both under-penetrated and inadequately penetrated.

General insurance companies had seen gross direct premium at Rs 1.27 lakh crore a growth of 32% in financial year 2016-17. Sharp growth in the non-life sector was largely due to the growth in health and motor insurance along with new crop insurance scheme. While life insurance industry saw its new business premium at Rs 1,75,021.89 crore as on March 2017 as compared to Rs 1,387,60.47 crore in March 2016 a growth of 26.13%.The report concluded by saying that, it is regulators who have to set up to the plate. It is the time to transform- in thoughts and actions. This also means outcomes need building coalitions, creating specialized knowledge, less hierarchy, more collaboration and flatter professional structures.

Source: http://www.financialexpress.com/market/insurance-penetration-in-india-at-3-42-far-below-global-average/740295/

29th June 2017

GIC Re could be the only public sector insurer to go for IPO in FY18

The government may bring out only one initial public offering (IPO) of the proposed four state-owned insurers. All the five state-owned general insurers will be listed within the next two years, the government will not hurry into the process. In January, the Cabinet gave its approval to the four public sector general insurers as well the state-owned reinsurer General Insurance Corporation of India (GIC Re. The government does not wish to go about the process in a hasty manner. Hence, the IPOs will be evenly spread out so that investor appetite does not wane. New India will be the first among the state-owned general insurers to list and that could happen in the first quarter of the next fiscal.

Both GIC Re as well as New India have appointed bankers for the listing process and will in due course disclose the percentage of government holding that will be divested during the IPO. The aim of the government is to divest 25 percent in each insurer over the next few years. The other insurers including National Insurance and Oriental Insurance will be required to shore up their solvency ratios. While the statutory requirement as per insurance regulations is 1.5, National Insurance's solvency is at 1.31 for the quarter ended December 31, 2016. Their Q4 results have not yet been released. Oriental Insurance, on the other hand, ended FY17 with a solvency of 1.11.

Once GIC Re and New India are listed on the stock exchanges, the aim will be to slowly list the other insurers. The government is looking to stick to one insurance IPO per year till all the insurers are listed. If there are multiple offers for investment in public insurers' IPOs, retail as well as institutional investors may not be able to provide adequate appetite, especially since several private insurers also planning to list in the market in FY18.

Source: http://www.moneycontrol.com/news/business/economy/gic-re-could-be-the-only-public-sector-insurer-to-go-for-ipo-in-fy18-2314631.html

29th June 2017

Irdai defers Ind-AS implementation to April 2020

Regulator Irdai today deferred the effective date for implementation of Ind-AS accounting model in the insurance sector to April 2020 from April 2018. The authority has approved the regulatory override whereby the implementation of Ind-AS in the insurance sector has been deferred by two years to Fiscal 2020-21. An Irdai board meeting on May 31 noted peculiarities of the domestic insurance sector, specifically the fact that the country does not have a standard equivalent to international accounting standards (IAS) 39.

The Irdai concluded that implementation of Ind AS in the present form is expected to lead to a position where assets would be valued on fair value/market value basis and liabilities would continue to be valued as per the existing formula based approach. This would lead to mismatch in the asset and liability valuation and would also cause volatility in the financial statements of the insurance companies. Additionally, Irdai has observed that the compliance costs will have to be incurred twice-once immediately on implementation of Ind-AS and second when IFRS 17 would be implemented in the country.

After considering the given facts, Irdai through its June 28 circular has deferred the implementation of Ind-AS to April 2020. However, insurers would still be required to submit the proforma Ind AS financial statements to Irdai on a quarterly basis, which was started from December 2016.

Source: http://economictimes.indiatimes.com/news/economy/policy/irdai-defers-ind-as-implementation-to-april-2020/articleshow/59374701.cms

29th June 2017

Point of Sale: The new block in life insurance distribution

Distribution of life insurance products has gone through silent metamorphosis ever since the industry has been privatized. From a customer perspective, change in distribution pattern refers to the availability of suitable products closer to them and it also brings in post issuance servicing capability. Initially, our public sector giant Life Insurance Corporation of India (LIC) had only individual agents across the nook and corners of the country connecting with the customers for new business as well as for their service requirements. When the industry got privatized, banks were roped in to distribute products to the customers. Banks tied up with a life insurance company and offered the product to its customers. Some of the private life insurance companies having Banks as promoters or group companies have really done well in meeting up with customers' demands by distributing life insurance through their bank branch network. Insurance Regulatory and Development Authority of India (IRDAI) has recently permitted Banks to tie up with upto 3 life insurers to offer product to their customers. This will help in widening the range of products available to customers and also improve the quality of service to the customers due to competition amongst life insurers.

IRDAI has also permitted distribution of life insurance through corporate agents and brokers. Some of the NBFCs, who have a network of branches and customer base became corporate agents and offered life insurance products along with their core products. Brokers are specialist entities, who represent the interest of the customers and can work with multiple life insurers. Despite of all these channels of distribution, the insurance penetration (Ratio of Insurance premium to Total GDP) of India continues to be low; indicating a large section of the population is still uninsured or underinsured. IRDAI, regulator for the industry has been proactive and continuously engages with the industry in development of distribution of life insurance products, while ensuring the protection of consumer interest. One such new initiative of IRDAI is the Point of Sale (POS) person for distributing life insurance products.

Any individual aged above 18 years with 10th standard pass qualification can become a POS person and has to undergo a simplified training and pass the examination. The life insurance company or an IRDAI approved intermediary can impart the training, conduct examination and issue certificate to the POS person to sell life Insurance. Secondly, the Point of Sales person can sell only simple and easy to understand products wherein each and every benefit under the product is predefined and disclosed upfront clearly to the customer. Thirdly, the policy has to be issued within two working days of receipt of the proposal. In the event of the policy not being issued, the refund of the premiums collected has to be refunded within 7 days. Point of Sale model will help the life insurers to increase the breadth and depth of their distribution capability and it is expected that POS will make significant contribution in distributing life insurance in the coming years. As far as the customers are concerned, POS will make life insurance available at a place closer to them and also help in better servicing capability. Since the products offered through POS are easy to understand with clearly defined benefits, the scope for missale has been substantially minimized.

Source: http://www.moneycontrol.com/news/business/economy/point-of-sale-the-new-block-in-life-insurance-distribution-2315545.html

30th June 2017

TOP DEVELOPMENT NEWS

7 lakh farmers in Rajasthan to get insurance cover of Rs 6 lakh

Nearly seven lakh farmers who have availed crop loan through cooperative banks in Rajasthan will get an insurance cover of Rs 6 lakh by giving only Rs 27 as yearly premium. Rajasthan government has raised the insurance amount by one lakh in the present fiscal year in the "Raj Sahakar personal accident insurance scheme", targeted to cover more than 25 lakh farmers. Last year, the insurance amount was Rs 5 lakh and 23.31 lakh farmers were covered with the insurance.

According to Cooperative minister of Rajasthan Ajay Singh Kilak Rajasthan is the first state in the country which is providing high insurance cover in very nominal premium. We target to cover more than 25 lakh farmers with the scheme this financial year. While the farmer will give Rs 27, Central Cooperative Bank the Rajasthan State Cooperative Bank will give Rs 13.50 each as the premium to the insurance company. Close to seven lakh farmers have been associated with the scheme so far in this financial year. "The cooperative department is taking all decisions and steps for the welfare of farmers and to ensure that income of farmers gets doubled by the year 2022. We have ensured social security for crop loan borrowers and we are getting encouraging feedback from them. In other states, the amount of premium is more than in Rajasthan and the sum insured is low, the minister claimed. The cooperative department is providing this facility to other account holders of cooperative banks also on annual premium of just Rs 54.

There are about 40 lakh farmers in the state and close to 30 lakh of them are involved in the crop loan system. The government has fixed a target of 15 thousand crore for the distribution of interest free crop loan for farmers in the current fiscal and more than 25 lakh farmers will be covered under the insurance scheme of Rs 6 lakh. On the permanent disability of one eye, arm or leg, the insured farmer will get Rs 3 lakh, permanent disability of any two limbs or on death in accident will get Rs 6 lakh. As per the assessment of the state cooperative department, Haryana is providing Rs 50,000 insurance cover, Madhya Pradesh Rs 2 lakh, Gujarat Rs 4 lakh and Punjab Rs 5 lakh insurance cover. Punjab is charging Rs 110 as yearly premium for an insurance cover of Rs 5 lakh whereas Gujarat is charging Rs. 44 as yearly premium.

Source: http://www.financialexpress.com/india-news/7-lakh-farmers-in-rajasthan-to-get-insurance-cover-of-rs-6-lakh/711231/

10th June 2017

Crop insurance sees 288% growth in business in FY17

The crop insurance segment, driven by the Pradhan Mantri Fasal Bima Yojana saw an almost 288 percent growth in business for the financial year 2016-17. The segment saw premiums of Rs 20,611.42 crore in FY17 as compared to Rs 5,310.06 crore collected in FY16. Data from the General Insurance Council showed that compared to a market share of 5.5 percent in FY16, it grew to 16.1 percent in FY17. The private sector players collected Rs 9,864.77 crore of premiums in the crop segment while public sector insurers collected Rs 3,682.52 crore of premium. Agriculture Insurance Corporation of India (AIC) collected Rs 7,064.13 crore in FY17.

Currently, motor insurance is the largest segment of business for general insurers.

This is now followed by health insurance and crop insurance. This is expected to get a further impetus in the current financial year. The Pradhan Mantri Fasal Bima Yojana (PMFBY) will have an increased presence since the government has allocated Rs 9000 crore for the scheme. In 2016-17, they were allocated Rs 5,500 crore. During his budget speech, finance minister Arun Jaitley stated that the coverage under the scheme will be increased to 50 percent of cropped area in 2018-19. The Fasal Bima Yojana launched by our Government is a major step in this direction. The coverage of this scheme will be increased from 30 percent of cropped area in 2016-17 to 40 percent in 2017-18 and 50 percent in 2018-19.

The Budget provision of Rs 5,500 crore for this Yojana in budget estimate 2016-17 was increased to Rs 13,240 crore in revised estimate to 2016-17 to settle the arrear claims. The sum insured under this Yojana has more than doubled from Rs 69,000 crore in Kharif 2015 to Rs 1,41,625 crore in Kharif 2016. Also, farmers have been paid Rs 13,240 crore as arrears in 2016-17. More than 1 million farmers have been given cover under this scheme, making India the third largest agriculture insurance market in the world after US and China. The scheme, approved by the Cabinet in January 2016, has a uniform premium of two percent to be paid by farmers for all kharif crops and 1.5 percent for all rabi crops. For commercial and horticultural crops, the farmers' premium is five percent. The rest of the premium is paid by the government.

Source: http://www.moneycontrol.com/news/business/economy/crop-insurance-sees-288-growth-in-business-in-fy17-2303265.html

13th June 2017

Kotak Mahindra Bank's stake buy in insurance arm gets CCI nod

The Competition Commission has given its approval for Kotak Mahindra Bank buying out British partner Old Mutual's 26 per cent stake in former's life insurance arm for Rs 1,293 crore. In a tweet, the Competition Commission of India stated that it has approved "acquisition by Kotak Mahindra Bank of 26 per cent shares of Kotak Mahindra Old Mutual Life Insurance Ltd from Old Mutual Plc". The Mumbai-based Kotak Mahindra Old Mutual Life Insurance is a joint venture between Kotak Mahindra Bank (KMB), its affiliates, and Old Mutual Plc. As per the notice submitted to the regulator, Old Mutual Plc holds 26 per cent of the total paid-up share capital of the life insurance firm and the remaining 74 per cent is directly or indirectly held by KMB. As part of the deal, Kotak Mahindra Bank will be paying Old Mutual Rs 1,292.7 crore for acquiring 26 per cent stake in the joint venture. KMB, headquartered in Mumbai, offers banking and financial services and has presence in New York, London, Mauritius, Singapore, Dubai and Abu Dhabi directly or through its subsidiaries. Old Mutual Plc is an international long-term savings, protection and investment group.

Source: http://www.moneycontrol.com/news/business/companies/kotak-mahindra-banks-stake-buy-in-insurance-arm-gets-cci-nod-2306367.html

16th June 2017

Haryana offers insurance cover for crops

At a time when farmers were protesting at national highways on Friday, the Haryana government announced immediate implementation of the Pradhan Mantri Fasal Bima Yojana (PMFBY) to help farmers avail of insurance cover against crop loss due to natural calamities for 2017-18. Under this scheme, paddy, bajra, maize and cotton crops would be covered during the Kharif season while wheat, gram, barley and mustard would be covered during the Rabi season.

A spokesman of the Agriculture and Farmers Welfare Department stated that the government has notified the implementation of PMFBY, which would be implemented in Haryana by private companies. The farmers would have to pay only two per cent premium of the sum insured for Kharif crops and one per cent premium of sum insured for Rabi crops. He added that all farmers, including share-croppers and tenant farmers cultivating the notified crops in the insurance unit, would be eligible for the insurance cover.

Source: http://indianexpress.com/article/india/chandigarh/haryana-offers-insurance-cover-for-crops-4708112/

17th June 2017

Finova Capital, ICICI Lombard collaborate to provide insurance services

Finova Capital announced its partnership with ICICI Lombard, under which the insurance products offered by the latter will be available to Finova's expanding customer base. At Finova Capital, it has been their constant endeavor to fill the credit deficit faced by the MSMEs in India. Their association with the ICICI Lombard will help them in enabling the growth and longevity of the Indian MSME sector by making crucial financial products and services easily available and accessible as stated by Mohit Sahney, MD and CEO, Finova Capital. The MSME sector in India faces a credit deficit of Rs. three trillion. NBFCs like Finova Capital are disrupting the segment with their credit appraisal method, establishing last-mile contact with the MSMEs and bringing these previously ignored segments under the purview of financial inclusion.

Source: http://www.dnaindia.com/business/report-finova-capital-icici-lombard-collaborate-to-provide-insurance-services-2476941

19th June 2017

LIC bought 38.67% SBI shares in Rs15,000 crore QIP issue

State-owned Life Insurance Corporation (LIC) bought shares worth over Rs5,800 crore in State Bank of India's (SBI) Rs15,000 crore qualified institutional placement (QIP). The insurance behemoth bought 38.67% of shares put on the block via QIP by the country's largest bank in early June. Following the investment, the shareholding of LIC in SBI has increased to nearly 10.6% from 8.6%. Euro pacific Growth Fund picked up 10.62% of the securities, as per a regulatory filing. Shareholding of insurance companies in SBI has increased to 11.77% after the issue as against 10.14% at the end of March quarter.

In the largest equity issuance in the country, SBI had raised Rs15,000 crore through QIP. It had issued around 52.21 crore new shares at a price of Rs287.25. The Euro Pacific Growth Fund is part of a family of mutual funds called American Funds. The fund invests in stocks of companies operating across diversified sectors. SBI will use the QIP proceeds to augment its capital adequacy ratio and for general corporate purposes.

Source: http://www.livemint.com/Money/HXHdyi8jAPHhbWWiLLyCXN/LIC-bought-3867-SBI-shares-in-Rs15000-crore-QIP-issue.html

19th June 2017

Telangana names insurance firms for agri insurance

National Insurance Company, Chola MS, Agriculture Insurance Company and United India have been selected to implement crop insurance and other insurance covers offered for farm households in Telangana. The Telangana government has divided the State into six clusters, assigning the implementation responsibilities to these firms. The government also announced the list of main crops for each of the districts. Excluding Hyderabad, there are 30 districts in the State where the insurance covers will be offered for the year. Red chilli, cotton, oil palm and sweet lime have been identified by the government as main crops for different districts. Red chilli and cotton cover most of the districts. Eight districts have been selected in the six clusters for the Unified Package Insurance Scheme (UPIS), which includes Prime Minister Fasal Bima Yojana and Weather-based Crop Insurance Scheme. Farmers will have to choose at least two out of the six covers that include personal insurance, life, student safety, household and agriculture pump set. After considering and accepting the proposals from the applicants, the respective banks will assign a unique reference number for the one-year cover. The scheme is applicable for people in the age group of 18-70 years. The State government has issued three different orders last week, notifying details for the village-as-a-unit scheme, weather-based insurance and the UPIS.

Source: http://www.thehindubusinessline.com/news/national/telangana-names-insurance-firms-for-agri-insurance/article9730689.ece

19th June 2017

HDFC ERGO ties up with Utkarsh Small Finance Bank

Private General Insurer HDFC ERGO General Insurance signed a corporate agency agreement with Utkarsh Small Finance Bank for the distribution of general insurance products through the Bank's network of branches across the country. The association with Utkarsh Small Finance Bank will offer general insurance products from HDFC ERGO to the Bank's general banking and micro banking clients across India. Anuj Tyagi, Executive Director, HDFC ERGO General Insurance Company stated that "Partnering with Utkarsh Small Finance Bank is an important milestone for us as part of our growth strategy. It is our endeavor to expand our horizon and make our products more widely available to the consumers at various touch points across the country". The partnership aims to provide enhanced customer experience by leveraging technology to augment the comprehensive range of third party products and services distributed by the bank. According to Govind Singh, MD & CEO, Utkarsh Small Finance Bank "when it comes to financial services, they want to offer our clients a bouquet of financial services under one roof and the partnership with HDFC ERGO is a strategic step in that direction". Banks are allowed to sell products of three life, three non-life and three standalone health insurance companies at their branches.

Source: http://www.moneycontrol.com/news/business/economy/hdfc-ergo-ties-up-with-utkarsh-small-finance-bank-2313081.html

27th June 2017

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ASSOCHAM VIEWS & SUGGESTIONS

Industry firmly behind govt on GST rollout: Assocham

Industry body Assocham assured full support to the government in rolling out GST from July 1. "Assocham welcomes the rollout of GST on July 1, 2017, and assured the government that Industry is geared up to work closely with the government to make it a grand success," as stated by President Sandeep Jajodia. As the whole GST process will be software driven, the government should try to sort out the glitches and shortcomings, if any, in the IT system at the earliest for the smooth rollout. Applauding the government's move to the new tax regime, he said that GST is the biggest tax reform in post-independent India. Assocham has held over 200 training programmes for traders across India for a better understanding of GST. Besides, it is in the process of organising similar programmes through its 400 affiliated chambers pan India. The Goods and Services Tax (GST) will unify 16 different taxes including excise, service tax and VAT, and transform India into a single market for seamless movement of goods and services.

Source: http://www.moneycontrol.com/news/business/industry-firmly-behind-govt-on-gst-rollout-assocham-2308677.html

20th June 2017

IRDAI CIRCULARS

Date	Ref. No	Title	Short Description
09-06-2017	IRDA/INT/CIR/INSRE/133/06/2017	To All	Status of Issuance of e-Insurance Policies
28-06-2017	IRDA/F&A/CIR/ACTS/146/06/2017	To all the Insurers	Implementation of Ind AS in the Insurance Sector

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28th July 2017	**National Conference On Insolvency & Bankruptcy Code**	**Hotel The Chancery Pavilion, Bangalore**
23rd August 2017	**4th National Summit On Non Banking Finance Companies (NBFC)**	**New Delhi**
1st Week of September	**3rd National Conference On Asset Reconstruction of Companies**	**Mumbai**
10th August 2017	**ASSOCHAM Monthly Banking E-Bulletin**	**Vol.-26**
10th August 2017	**ASSOCHAM Monthly Insurance E-Bulletin**	**Vol.-7**

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