inotes
Newsletter from India's Leading Insurance Broking House
April 2013

Summary

- Broking in India - a battle for market share
- Facts and figures pertaining to the broking industry
- Voices - Insurers, Brokers and Corporates
- Interview - Mr. Sohanlal Kadel, President, IBAI
- Survey Findings
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India Insure
The risk managers

Brokers Special Edition

Celebrating a Decade of insurance broking

Message *from the Editor*

Dear Readers,

As the annual closing figures keep coming in from each insurer, a quick estimate puts the general insurance industry closing this fiscal at about Rs. 70,000 crores (matching our prediction made in the Annual Insurance Industry Report 2012), clocking a growth rate of 20 %. The Life insurance industry though, has had a drop of 6.32% and has ended up at Rs. 1,07,011 crores (First year Premium).

Its been a decade of insurance broking in India and we thought it appropriate to dedicate this issue to the Indian broking community at large. With all the ups and downs and turns and twists, I am certain that all of us would unanimously agree that it has been an interesting roller coaster ride for each of us! We reached out to some of the seniors in the industry and had them sharing their opinion on various industry related issues. We also did an online dipstick survey for Brokers, insurers as well as corporates and have the findings recorded. Our sincere thanks to Mr. Sohanlal Kadel, President IBAI, for sharing his views with our readers. Through this issue we record how broking has survived and evolved in its first decade.

In its bid to help improve the insurance penetration in India, IRDA has proposed to make it mandatory for insurers, who have been in business for 10 years, to open at least 25 per cent of new offices in areas that have a population less than a lakh. Additionally, the report submitted by the committee set up by IRDA to examine various issues relating to sub-broking, favours the appointment of sub brokers so as to increase penetration in the rural and semi urban markets. These two initiatives by IRDA will go a long way in improving the stagnating penetration levels.

I hope you find this edition of inotes informative and look forward to keeping you updated with the industry related info in the coming year too.

V G Dhanasekaran
Editor – *i-notes*

Broking in India – *a battle for market share*

269 brokers, INR 99860 million premium placed through the broking channel and 10 years of Licensing, the broking industry is at cross roads. From a concept to commodity has been a very short journey for the Broking industry in India. Brokers are panting for survival with the cut throat competition in the Industry and ever declining premiums.

There is never a dull time for this fledgling industry. The evolution continues to be quite turbulent. The concept of broking was announced in 2000 but was not implemented when the market opened up in Jan 2001. It needed the green signal from the Parlimentary sub committee in 2002 before the first licenses were granted in 2003. The license was limited in scope as the Tariff structure of the Industry was against Broking as 5% special discount was given for Direct business. That was the first battle for the Brokers.

A ray of hope was given in 2005 when this special discount got abolished and the products were detariffed. The joy was short lived with caps being imposed on discounts and brokerage being indexed to Capital of companies. Another period of uncertanity and struggle continued for over 2 years. Finally the industry got detariffed and brokerage became market driven with an overall cap.

The free fall of premiums wiped out the Brokerage as past brokerage became current premiums and another period of 2 year struggle ensued. The markets have just about stabilized and the premium rates have been slowly climbing up. Insurance companies slowly started accepting brokers as a vital partner and we have the Finance Minister letting loose the Banks to compete with the Brokers. One will have to wait and watch the market reaction. The flip side is that even the government now recognizes broking as an integral part of the insurance industry and brokers have a permanent role much against the wishes of doomsday prophets who felt brokers had no role in Indian market.

Ten years in business but the exsistential question of survival continues. A universally accepted concept in the global market is still struggling to make an impact on the Indian insurance scene. Why do we need brokers is a question Insurance companies continue to ask and so does the customer. The volume of business placed through the broking channel is stagnating or marginally declining in a market that is growing at 20%.

The numbers below tell the story: *Premium in INR crores*

YEAR	TOTAL	BROKERS	DIRECT	AGENTS	OTHERS
2011-12	58344.00	9986.21	18677.97	21055.50	8624.32
2010-11	48213.00	9571.43	14787.36	15108.35	8745.86
2009-10	39226.00	5777.50	12185.15	13997.12	7266.23
2008-09	33564.52	4713.85	12601.60	11641.88	4607.19
2007-08	30480.23	4057.37	11305.77	11047.07	4070.02

The Broking concept was imposed on the Indian Insurance industry which was quite comfortable without the Brokers. The insurance companies have been very reluctant converts to the broking concept. The sheer pressure of the regulator and customer has compelled them to grudgingly accept brokers as a party to the client insurer relationship. The insurance companies are quite justified in their guarded acceptance of brokers. In the battle for survival, the brokers have been pushed to become 'Price discoverers' for the customers thus putting an unwelcome pressure on Insurance companies. So instead of harmonious working we have a relationship of continuous conflict.

The root of this dichotomy lies in the structure of the Indian insurance industry and the gradual opening of the market. Brokers are best suited in a market that has multiple products and numerous suppliers creating complexity to clients in their purchase decision, making them look for brokers who give the right advise. Unfortunately the Indian market is still stuck with identical products with numerous suppliers leaving Price as the only differentiator.

This is the root of the challenge for broking industry, unless there is a complete free market with variety of policies with varying coverages, both clients and insurance companies would prefer to deal directly. The current provision to give add on covers to various tariff driven policies is the way to go forward.The broking fraternity will have to wait for the industry to stabilize and the complete opening of the tariff to make the next leap.

The second issue is insurance placement process in India is not subscription based, its more driven by co- insurance which is at variance with the global markets. The Indian market practice of offering 100% capacity to each risk reduces the need for placement and where there is a capacity shortage the same gets absorbed with co-insurance which does not give any role to broker. There is a gradual shift in trend with Private companies taking lead with limited capacity thus putting clients

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and brokers under pressure to find other insurers willing to match the terms and take co-share. With the acceleration of this trend brokers will have a sizeable role in future.

The Third issue is the role envisaged for the brokers. In the current market broker adds very limited value to insurance company other than retaining or bringing in new business. The cost of servicing for the insurance company is going up with lower price and additional brokerage cost getting added. This could get course corrected if the Broker is allowed to do certain administrative tasks like Risk inspections, Policy issuance, Endorsements and Claims management functions for the Insurance company. We need to adopt the international model in totality where insurance companies focus on giving capacity and underwriting while broker does the entire administrative work.

The fourth issue is the narrow focus of the brokers to stick to few geographies and limited high value corporates. This has prevented the growth of market share for brokers. What is needed is stepping out of the box by getting in to more areas of insurance such as retail, SME or some niche products, etc. to enlarge market share.

The fifth issue is a collaborative approach with Insurance companies. What is needed is strategic initiatives with the Insurance companies to enhance penetration. Joint campaigns, co branded products and consistent support in service and claims will go a long way in strengthening the role of brokers.

The Indian insurance industry has no choice but to reduce distribution costs and increase underwriting profits. The current abberation of high investment income is bound to come to an end. The insurance companies have no tool to do underwriting as the old black book called tariff is no longer a valid tool to price risks. The indexation of discounts with reference to tariff is crude way of pricing.What is needed is a proper risk assessment of each risk , the aggregate data on such risks and industry benchmarking to arrive at a calculated premium.

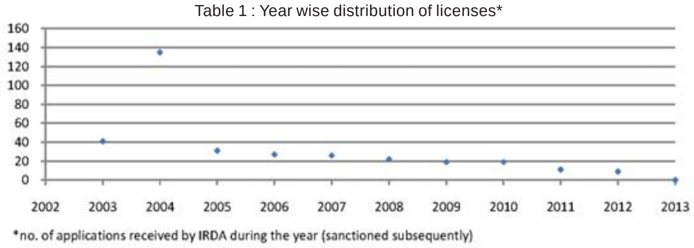
All this information can come from the Brokers at no cost to insurance company. This kind of collaboration and proactive partnership only will lead to viability to the insurance company and the growth of the broking channel.

V Ramakrishna

Facts and Figures *Pertaining to the Broking Industry*

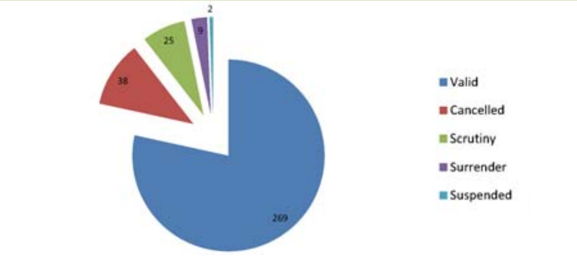
Table 1 below gives the details on how the licenses were spread out. While 343 licenses have been sanctioned since inception, currently there are only 269 valid licenses, the balance 74 (which is an over 20%) either being cancelled, suspended, under scrutiny or surrendered. 2013 figures indicate the status as on 31st Dec 2012.

Table 1 : Year wise distribution of licenses*



*no. of applications received by IRDA during the year (sanctioned subsequently)

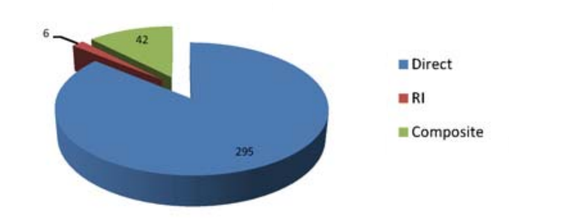
Status of Broking licenses since inception



A 20% of license being rendered invalid in a span of 10 years does not indicate a healthy situation. Of these, the 'Scrutiny' cases at 7% include renewal process for some of them being long drawn and dragging on for over 3 years. Uncertainty prevails over how these brokers are expected to handle business while the license renewal is pending by IRDA.

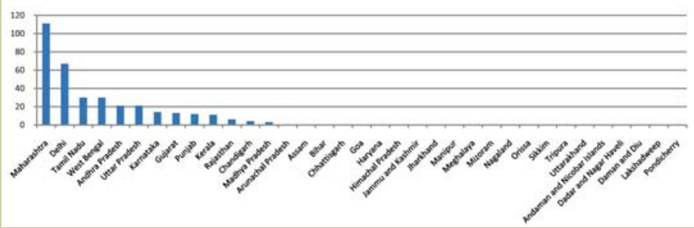
License Mix – Direct, RI, Composite

The composition



It is anticipated that if there is a change in regulations permitting an increase of FDI cap from 26% to 49%, there is all likelihood of witnessing an increase in the number of standalone RI brokers.

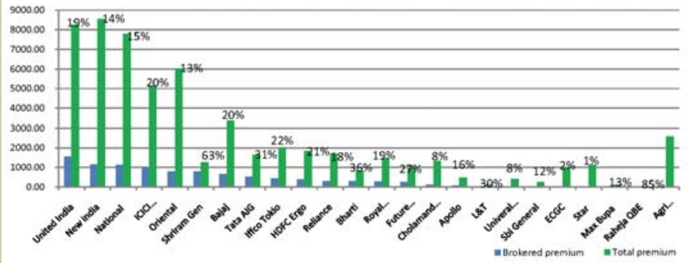
Location wise Distribution of Brokers



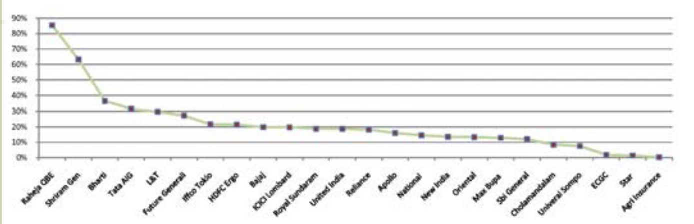
A location wise analysis of the brokers reflects that of the 35 (States+ UT), only 13 of them have brokers headquartered in them. This indicates the concentration of brokers in industrial areas and which also goes on to establish the fact that brokers have not made an attempt to capture the rural retail segment. Due to the concentration of brokers in the urban market, there remains a large part of the rural market to be tapped by brokers.

Insurer wise Brokered Premium

Insurer wise Brokered Premium FY 2012



Insurer wise Brokered Premium (%)



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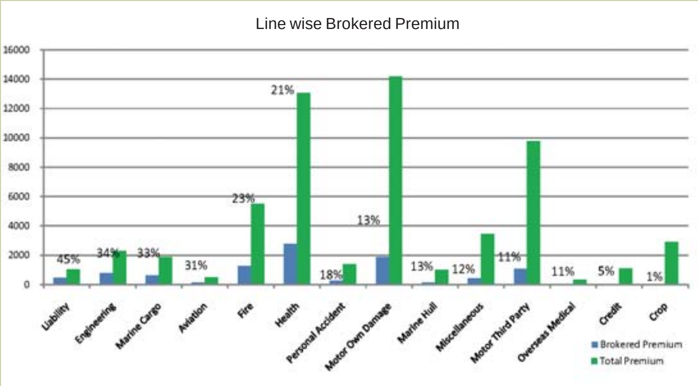
Facts and Figures *Pertaining to the Broking Industry.... contd... # 02*

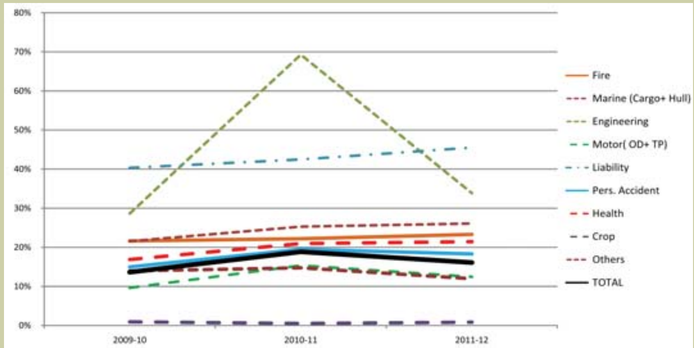
Line wise Brokered Premium



Liability insurance being that field of insurance which has caught up more recently and it being a more specialized field of insurance, the involvement of brokers is far ahead in this line of business with 45% of the liability premium being placed through brokers. Crop insurance is yet to see the involvement of brokers with just 1% of the premium being brokered. Brokers have been more involved in the group health policies and the retail health market yet remains to be capitalized by brokers.

The average brokered premium for the year 2011-12 has been 17% and the lines which are above the average include Fire, Aviation, Engineering, Liability, Health and Personal Accident.

Line wise Brokered Premium in the past 3 years



The overall brokered premium has been hovering around the 15-20% range. The last year saw the brokered premium fall from 20% to 17%, and this was majorly due to the swing in the Engineering premium. The year 2010- 11 saw a steep increase in the Engineering premium being brokered and the following year saw a similar fall. Liability premium continues to be making a steady progress.

VOICES

How has the market reacted to broking and how has the progress been? To get a feel of the market, we had approached the seniors in the industry – Insurers, Brokers and Corporates and posed a couple of industry related questions. In the section below, we share what each of them had to say.

The views expressed herein are purely individual and do not express the views of the organization

1. How do I choose my broker and how do I review them during a renewal?

We choose our broker basing on the Vision, Mission & Values of the broking firm. Further core team strength plays a vital role in advising on the risk matrix issues. We review our broker basing on the interactions we had on the policy issues & constant updating on the market intelligence across the year.

***Ravi Prakash J** – Greenko Group Plc.*

The right broker will ensure that the customer gets the optimum package, which serves their needs, covering their "risks" in true sense. This would mean understanding the profile of the risk and perils attached thereto properly, underlining the relevant coverage, seeking comprehensive terms with unambiguous wordings with reasonable price from the Insurer who also has a record of good customer service and financial stability.

However there have been instances where the Indian entity is influenced/ dictated by the global risk head & the broker may not be chosen keeping the above criteria in mind. In such cases also, it is advisable for the insured to keep these factors in mind at the time of the Insurance renewal or any new risk cover.

***Kaushal Mishra,** CEO*
–Tata AIG General Insurance Company

Ideally a Broker is to be selected based on evaluation of following parameters:

a) Professionals on Board.
b) Domain Expertise
c) Network of offices
d) Liaison with Insurers, Reinsurers
e) Profile of existing clients being served
f) Experience and total turnover
g) Feed back from existing clients

Similarly, review during renewal is based on following parameters:

a) Response Time for submission of Quotes
b) Quality of quotes w.r.t price & conditions attached
c) Vetting of Policy Documents w.r.t additional clauses attached and its implications.
d) Response Time for arranging endorsements for increase in SI, any additions/ deletions, incorporation of financial interest.
e) Services w.r.t Claims management i.e. coordination for deputation of surveyor, inspection by surveyors, claim documentation, claim proceeds realization.
f) MIS w.r.t Risk register, Monthly charts for Renewals due, Monthly budgets for Premium Outgo, claims realized, claims pending with reasons.
g) Value additions w.r.t Savings in premium without compromising on cover, Standardization of policy covers, reduction in no. of policies by devising master Policies, etc.

***Pradeep Singla** - Jaiprakash Associates Ltd.*

A broker is chosen for providing optimum pricing and coverage coupled with timely placement and claims servicing. His service levels constitute the principal parameter for continuing with him at the time of renewal.

***Jagadeep** -Cyril Logistics & Engg. Services Pvt. Ltd.*

2. What more do I look for from the broker?

Insurers have different appetite and perception on risks depending on their own experience. My broker must have a reasonable bandwidth to reach out and identify insurers who can compete aggressively for the particular risk we are looking for coverage.

My broker should advise me on risk improvements, showcase the good features so my risk is sold on better terms to the insurers. During a claim in progress the broker should advise on timely and appropriate response to insurer in bringing about a speedy and fair settlement. In case of disputable stands particularly on Liability claims on issues such as attorney selection, out of court settlements, etc. broker must help mediate with insurer to ensure client's privacy interests. Good market relations are reasonably factored in the claim process.

***R P Chandola** - HCL Technologies Ltd.*

We feel that any broking firm should have line wise specialists to cater the needs of a growing client.

***Ravi Prakash J** - Greenko Group Plc.*

I expect the broker to be well informed about various products and deliver an error free policy since a defective policy often leads to qualms at the time of claims settlement.

***Jagadeep**-Cyril Logistics & Engg. Services Pvt. Ltd.*

Insurance Broker should thoroughly understand the business concept and review the business insurance needs of the client. Now a days, many kinds of policies, wordings are there in the market, it's very easy to get confused and even end up with the wrong cover. The Insurance Broker's services / Job should be widened from placing the right policy, keeping the client informed about the changes / developments in the insurance market and have to guide the client when dealing with losses through the confusing and stressful claim process. A periodical review has to be done by the Insurance Broker in consultation with the client for any additional insurance requirements for its business.

***Narasimha Rao VNVL** – Athena Chhattisgarh Power Limited*

3. Brokered premium has stagnated at around 20%. What is inhibiting growth?

There are two main reasons inhibiting growth of brokered premium.

i) A pre-conceived notion that brokered premium is higher than premium directly placed with Insurer. (Which is not true in all cases)

ii) Recent restrictions on transfer of business amongst PSUs where one PSU does not compete with the other in case of renewals.

The broker's role regarding procurement of quotes in such a case is reduced to the minimum where the client prefers only PSUs.

***Jagadeep**-Cyril Logistics & Engg. Services Pvt. Ltd.*

Specialization and turnaround time involved in claim related issues.

***Ravi Prakash J** - Greenko Group Plc.*

4. How prepared are brokers for detariffing of wordings?

Preparedness of the brokers is a relative term and differs from one broker to another. Hence, cannot be generalized

***Jagadeep**-Cyril Logistics & Engg. Services Pvt. Ltd.*

We feel that there is no such demonstrations happened across the broking fraternity as of now to give such kind of signals to the global players.

***Ravi Prakash J** - Greenko Group Plc.*

5. How has the transition been – days without the broker to the present

On premium pricing front, the Insuring fraternity in India is passing through a natural fear psychosis, which is in fact the own creation of Indian Insurance Industry. This is certainly a worst scenario for Indian Insurance Industry.

The prime questions to which the insuring fraternity is finding logical answers are –

[i] In case the high premiums charged in earlier non-liberalized insurance market in India were correct, thence how come Indian Insurers can afford to charge ridiculously low premiums in liberalized insurance market ?. Apparently, this is a dicey position / situation.

[ii] In case the low premiums being charged in subsequent liberalized insurance market in India are correct, that means Indian Insurance Industry has unfairly collected huge premiums earlier and has taken the insuring fraternity for a ride.

On product front, the development has been insignificant. The products currently available in Indian Insurance Market are age old, conventional and traditional; lacking the requisite punch and synergy. The niche and novel products, which are available in even medium / small insurance markets in even developing countries, are not available to insuring fraternity in India.

The role of the Broker will be better appreciated and availed by the insuring fraternity only when Indian Insurance Market is fully liberalized in true sense of the term – on both Pricing and Product fronts.

To my mind, Indian Insurance Industry is atleast a decade behind rest of the World and needs to be shaken up thoroughly to achieve Customer / Client Confidence, which is at absolutely low ebb.

***Sanjiv Shanbhag** - (based on almost 4 decades of experience in the Insurance Industry in India and overseas)*

It all depends on the knowledge base and definitely we can see the change in the transparency and improved knowledge levels.

***Ravi Prakash J**- Greenko Group Plc.*

The transition has led to one major change, viz. Increase in the client's knowledge levels

***Jagadeep**-Cyril Logistics & Engg. Services Pvt. Ltd.*

We have seen brokers adding lot of value to liability insurance in particular. Insurance covers have improved with pressure from the brokers and wordings that were initially not offered to Indian market have arrived for our benefit. The market has also seen claims and brokers have responded to that with reasonable competence.

***R P Chandola** - HCL Technologies Ltd.*

Brokers have certainly added value to the distribution system. There is quite a lot of technical expertise coming in through some of the brokers. However, expectations were rather high and it has not yet reached the expected levels. Broking is still considered to be in its nascent stages. But with the progress seen in the last decade, we expect that the day is not far when we too will be on par with any international country in terms of broking.

***Tapan Singhel,** MD & CEO – Bajaj Allianz General Insurance Co.*

6. Banks will be as effective as brokers to handle insurance broking

The effectiveness of the Bankers would depend mainly on the staff deployed for handling the duties of brokers. Bankers may be conversant with the process of placement and with their expansive presence, they are sure to reach considerable levels of premium acquisition. However, they may not be equipped with the expertise to handle claims for which they may resort to outsourcing.

***Jagadeep**-Cyril Logistics & Engg. Services Pvt. Ltd.*

This will completely collapse the trend.

***Ravi Prakash J** - Greenko Group Plc.*

It is not bankers business and if permitted brokers' image as experts is bound to suffer as banker is not expected to be expert. Broking is the job of professionals and let the professionals handle it.

***Pramod Bhandary** - Telos Insurance Brokers*

Do not think this can threaten the existing brokers if they are capable to handle their clients' needs. Banks would generally look at the retail side of the business – individual customers – whom many of the brokers are not servicing at present. For servicing the corporate clients the broking outfit promoted by the Bank would take considerable time to develop the required expertise. Finally a competitive world would ensure better services to the client and survival of the fittest.

***K.G. Krishnamoorthy Rao,** MD & CEO*
– Future Generali India Insurance Company Ltd

It is all about competence. If the banks can demonstrate capability and convenience in chosen lines, the customer wins.

***Praveen Gupta,** CEO & MD*
– Raheja QBE General Insurance Company

In a country like ours where penetration is one of the lowest in the world there is huge opportunity to grow and there is enough space for everyone. I believe that banks and brokers can co-exist and share the same space harmoniously so that we reach respectable levels on par with international markets in terms of insurance penetration.

***Tapan Singhel,** MD & CEO*
– Bajaj Allianz General Insurance Company

Banks would primarily focus on their own customers & Retail products and would want to provide choice to their consumers and hence we should not see any impact on the existing business of brokers. Giving the banks an ability to distribute the products of multiple insurance companies is much required to get insurance to the various parts of India & a key factor for the general insurance penetration to increase in India. Brokers should not be affected by the banks getting broking licenses as they are currently managing large value non-retail business and going forward we see this trend continuing. However we see some brokerages getting on to the online bandwagon for the retail side of the business as we see in more developed markets which could be in a bit of conflict for the banks' insurance business.

***Amarnath Ananthanarayanan,** MD & CEO*
– Bharti Axa General Insurance

7. What are your views on Sub broking? – How will it help and what are the short comings?

Sub-Broking will be helpful for the retail lines subject to proper control over process, methods and practices. In the context of Agents, the role of sub brokers need to be clearly defined; else there will be overlapping of roles and sub brokers will end up as another set of agents. While this may help in better market reach, I really apprehend that this may not effectively translate into better cost of acquisition for insurers. Remuneration structure needs a careful thought and development.

***AR Sekar,** GM – New India Assurance Co. Ltd.*

This would be helpful for many small brokers who may have expertise in certain segments of the business of the client and not able to offer a full scale solution to the client. By joining hands with complimenting brokers they can offer appropriate solutions to the customer.

***KG Krishnamoorthy Rao,** MD & CEO*
– Future Generali India Insurance Company Ltd

Sub- broking is good for the industry as it increases distribution, however, we need to keep in mind as to how would we do this without impacting the agents business and have adequate safeguards on mis-selling.

***Amarnath Ananthanarayanan,** MD & CEO*
–Bharti Axa General Insurance

Basically helps in avoiding duplication of resources. Helps in specialization of skills; Capital exposure would be less; Less administrative hassles; Helps in building strong technical base with minimum cost.

***Pramod Bhandary** - Telos Insurance Brokers*

In fact and effect, I am at a loss to understand as to why there is much resistance to Sub-Broking in India. Sub-Broking is a well established international practice. I believe that the term 'Rebating' is misunderstood in India. 'Rebating' needs to be construed as only sharing of remuneration by a Broker with the Insured(s). How can any payments, if made by Brokers to other entities / parties including their business facilitators / partners – both in India and abroad be called 'Rebating'? How can there be insurance industry business growth – particularly on 'Admitted Insurances' front unless payments to such entities / parties are allowed? It is an open secret that there is very substantial 'Non-Admitted Insurances' base existing in overseas insurance markets mainly related to Indian Assets / Properties / Projects, which can certainly accrue to Indian Insurance Market, in case this misconception is removed. Let there be transparent dialogue amongst all the stakeholders of Indian Insurance Industry for proper perception and understanding to heed to 'glocal' [global + local] approach.

***Sanjiv Shanbhag** – (based on almost 4 decades of experience in the Insurance Industry in India and overseas)*

Anything that makes a good case for the cause of delivery (vis-a-vis plain vanilla distribution and market share grabbing) in a compliant way ought to be welcome.

***Praveen Gupta,** CEO & MD*
–Raheja QBE General Insurance Co.

8. The increase in FDI cap from 26% to 49% in the Insurance sector – what is the relevance, repercussions and implications – will this be a game changer?

This might encourage a few foreign insurers to enter into Indian Market. Means more capital inflow; technology inflow and additional capacity. All these may happen with a cautious note as majority control may still remain with Indian partner. The response would have been more positive and pronounced had the cap been above 50% which shall give majority control to the Foreign insurers.

***Pramod Bhandary** - Telos Insurance Brokers*

There will be no great impact unless local partners are also capable of bringing in value. The Foreign partners will aim to maximise their profits and recovering their investments. This would only indicate their further commitment to the domestic market. In the context of the standard tariff wordings foreign players will not be expected to bring in innovations in product offerings.

***AR Sekar,** GM – New India Assurance Co. Ltd.*

9. Brokered premium has stagnated at around 20%. What is inhibiting growth?

Any industry which has seen two business cycles can register growth only if it reinvents itself. As broking becomes a more mature business practice the players will have to invest resources in research and development in a big way. It could be newer products, newer technologies for service delivery or newer business models. The direct sale through internet is shaving away the income the brokers could have made by scaling up. Unless fresh investments are made on creating better efficiencies brokers are unlikely to see big growth.

***N Raveendran –**Alegion Insurance Broking Pvt Ltd*

Need to provide qualitative services on transparent basis. For this purpose Brokers need to increase their technical skill and be more professional in rendering the services. Avoid cutting corners for getting business. Ensure healthy competition amongst brokers rather than criticizing the fellow broker. Never succumb to undue and unreasonable pressure from customers and be prepared to lose business if the requirements are unreasonable. Never beg the business. One needs to command the business. Business got on command basis would be everlasting and also boost the image of broker fraternity.

***Pramod Bhandary** - Telos Insurance Brokers*

Brokers continue to work within the confines of the commercial insurance sector catering to the needs of Industries and commerce. They are very marginal players extending services to individuals, particularly in the retail segment of Auto & health; sectors that constitute more than 60% of the pie and which is constantly growing. Within the commercial lines as well, brokers are not enthusiastic of participating in the tender businesses of Government companies. It is important that in the near future brokers consider playing a meaningful and aggressive role in non corporate business of auto & health. While some beginning has been made in terms of online sale, it remains a huge untapped area.

***Kaushal Mishra,** CEO*
– Tata AIG General Insurance Company

Brokered premium is characterised by too much focus on pricing rather than on products. Broking growth has only kept pace with general growth and thus in percentage terms have remained stagnant. This has to change. Broking should be able to grow faster than the average insurance growth. Brokers need to bring in value in terms of the advise they render to clients/customers and need to partner with insurers in developing market maturity.

***AR Sekar,** GM – New India Assurance Co. Ltd.*

10. How prepared are brokers for detariffing of wordings?

The current set of brokers, at least most of them are not prepared for de tariffing of wordings. Legal expertise is paramount for anyone to identify, analyse and advise on custom wordings. Not many brokers have the resource strength to build that expertise. Barring a few large brokers and international brokers most of the members will find themselves handicapped.

Broking as a practice has to metamorphosis into a professional engagement. For that to happen it has to start with an Education as the first level of entry barrier. Unless that happens the brokers will not find respect from the clients in general and that will be a deterrent for talent acquisition. Unless the industry can attract the best of minds developments are going to be slow paced.

***N Raveendran** - Alegion Insurance Broking Pvt Ltd*

Many are not prepared. But somewhere beginning has to be made. If so why not now?

***Pramod Bhandary** - Telos Insurance Brokers*

We are not prepared. There has not been much thought or discussions happening. Brokers in general have been reactive to the market trends and have yet to show potential to be industry innovators. This would require more preparation and involvement for Brokers. Technical skills also have to be vastly improved.

***AR Sekar,** GM – New India Assurance Co. Ltd.*

This is a perception which can only be tested in reality once the "detariffing of wordings" takes place. Brokers per se have been involved in working closely on many wordings on liability and non-tariff policies in the past. With complete detariffing of wordings, there should be meaningful inputs from many quarters. While inputs will always be welcome, as a prudent measure, we all need to understand implications and guard against certain populist interventions which can affect health of the industry adversely.

***Kaushal Mishra,** CEO*
– Tata AIG General Insurance Company

Would be difficult to comment since brokers would be in a better position to comment on this. To my limited understanding most of the brokers have to go a long way to understand the clients' needs and draft an appropriate insurance cover.

***K.G. Krishnamoorthy Rao,** MD & CEO*
– Future Generali India Insurance Company Ltd

While a few brokers are ready for the detariffing of policy wordings, the majority is not yet ready for it.

***Tapan Singhel,** MD & CEO*
– Bajaj Allianz General Insurance Company

11. Brokers have been permitted claims consultancy with restrictions imposed. What are your views on this and what are the changes you would be looking forward to?

We need to understand that Indian Insurance Brokers are losing their remuneration on 2 main fronts, when we compare Indian Insurance Market with overseas Insurance Markets : -

i) Investment Income – In India, premiums are remitted by the Insureds directly to the Insurers generally at inception of risks. Evidently, Insurance Brokers in India do not enjoy credit facility, whereby they can collect the premiums in advance from the Insureds, invest the same to generate Investment Income for themselves and pay the premiums to the concerned Insurers later to be in line with the credit facility extended to them by the Insurers.

ii) Fees on Premium Financing – The concept of premium financing does not exist in Indian Insurance Market. In overseas markets, Insurance Brokers receive atleast 1 % Fee from both Insurer and Insured for facilitating premium financing arrangements.

Under the circumstances, I believe that Insurance Brokers in India should be permitted to do claim consultancy without restrictions.

Sanjiv Shanbhag *- (based on almost 4 decades of experience in the Insurance Industry in India and overseas)*

In the normal course a broker is expected to assist his client during a claim. The claims consultancy permitted by IRDA is for claims of other clients whose business the broker has not placed. This has both positive and negative impacts. The positive impact is that those who do not have a broker at the time of placing insurance can avail the services of a broker during a claim. However the negative impact is the possibility of misuse of this by some brokers to snatch clients from other brokers or to set unhealthy business practices in the market. If the negative impact is curtailed by the stakeholders then this is a welcome move.

K.G. Krishnamoorthy Rao, *MD & CEO*
– Future Generali India Insurance Company Ltd

There should not be any restriction. Not able to appreciate the objective behind restrictions imposed.

Pramod Bhandary *- Telos Insurance Brokers*

A small beginning; Am sure serious players will be able to demonstrate their value proposition/s thereby strengthening their hands for a larger role.

Praveen Gupta, *CEO & MD*
– Raheja QBE General Insurance Company

It is a welcome move as they represent the customers and take care of their interests both at Risk planning and mitigation stages. It might lead to unhealthy competition amidst brokers when they poach on other brokers' customer base and also sometimes may lead to conflict of interests between them & the insurance companies, which needs to be taken care of. In terms of restrictions, they should follow at least the same rules & guidelines that surveyors follow currently.

Amarnath Ananthanarayanan, *MD & CEO*
– Bharti Axa General Insurance

This is a beginning & the participation of the brokers in this initiative in a professional manner would ensure a quick & relevant claims servicing. While there would be initial hiccups in some areas but with passage of time & more stable record, these restrictions would go. I feel in a period of three years, brokers would have a more confident role to play. In order to play a confident role and to become professional claim handlers, they need to develop expertise and right manpower in time.

Kaushal Mishra, *CEO*
– Tata AIG General Insurance Company

News TitBits

Cost of property insurance for firms to remain stable in FY14
Source: mydigitalfc

The companies that are going to renew their property insurance policies on April 1 would not see their insurance cost rising, unless they had filed for major claims in 2012-13. According to insurance company officials, an increase in property premium rates by 10-30 % in April 2012 and with no major calamities happening throughout this year, the premium rates for companies would remain stable for 2013-14. In addition, reinsurance rates too are likely to remain stable when insurers renew their treaty programmes next month.

IRDA introduces credit rating norm for selecting foreign reinsurers
Source: Business line

IRDA has tightened the norms for reinsurers. According to the IRDA (General Insurance - Reinsurance) Regulations 2013, notified in the Gazette recently, tough norms have been put in place for selecting reinsurers outside India. According to the new IRDA norms, insurers should place their reinsurance business outside India with only those insurers who have a credit rating of at least "BBB" with Standard & Poor's, or an equivalent rating by any other international agency for the past five years.

Motor insurance premium to be costly by upto 20% from April 1
Source: Economic Times

Motor insurance premium is set to become more expensive, with IRDA allowing up to 20% increase in third party rates from April 1 in view of rising inflation and the history of claim settlement. "The overall percentage increase in the motor third party portfolio works out to 18.9%. The above rates will be effective from April 1, 2013," IRDA said. Charges for the third party insurance cover as per the notification will go up for two-wheelers, passenger cars and commercial vehicles

IRDA panel for cutting compulsory cession to 5%
Source: The Financial Express

A key committee of the insurance regulator has suggested halving of the compulsory reinsurance that Indian companies place with public sector GIC Re. This will create a larger business space for private and foreign reinsurance firms in the country. The Reinsurance Advisory Committee of IRDA has suggested that domestic general insurers will now need to park only 5 %of their reinsurance business with GIC Re. This is, however, still short of what the general insurers want. They are clamoring for a complete phase-out of the decade-long practice of obligatory cession to GIC Re.

Mr. Sohanlal Kadel -President, Insurance Brokers Association of India, (IBAI).

The increase in FDI cap from 26% to 49% in the Insurance sector - what do you think is the relevance, repercussions and implications in the Broking industry?

I personally don't think that there is going to be any major impact of this in the insurance broking industry.

The growth rate in the number of new brokers entering the market has been on the decline with the last year witnessing only a 3% growth in numbers. What does this indicate?

The regulations need to be more relaxed to encourage new players in the broking arena. Broking was primarily introduced to enhance service to the customers. Ideally regulations should be conducive to encourage new players into insurance broking especially in the semi urban areas as this would help improve the penetration in India which has witnessed very poor growth even post liberalization particularly in the non life insurance industry.

License renewal and Renewal under scrutiny - It is observed that the renewal of licenses is a long drawn process and several renewal applications are under scrutiny. In fact, some brokers have the license application under scrutiny for over 2 years post validity period. What are the reasons for such an inordinate delay and how are brokers expected to conduct business during this period?

There should be a mechanism where approvals for renewals are in place at least 3 months before expiry in order to enable a seamless functioning of the broker. I agree that there has been considerable delay in approvals, but some of them are justified, particularly in reference to violation of norms by some of the RI/ Composite brokers. In cases where they are pending due to routine delays, IRDA is issuing letters to the brokers authorizing them to continue functioning until receipt of approval. In some cases the renewal are pending for trivial cases and we expect IRDA to look into these on priority and ensuring timely clearance. These signals are inhibiting new entrants from entering this space. IBAI has demanded that renewals should be on at least a 5 year term and is awaiting a favourable response from IRDA.

Cancellation of licenses - Over 11% of licenses issued till date have been cancelled/ suspended/ withdrawn. Of this 20% pertain to licenses issued in the year 2003-04. What is the major reason for this?

There are multiple reasons for cancellation, suspension and withdrawal of licenses. In some cases the capital has been utilized to some extent and IRDA is insisting upon infusion of fresh capital to reinstate it to the original amount. Another major reason is that the market has become too competitive and it is difficult for smaller brokers to sustain in this market. In a couple of cases there has been a discord between the partners and in some, they have been shifting to more lucrative business.

What are the reasons you would attribute to the brokered premium getting stagnated around 20% in the past couple of years?

Here too there are multiple reasons for the brokered premium stagnating at around 20% and it cannot be attributed to a single major cause.

- The motor retail segment has been the largest contributor towards growth and the distribution has been monopolised by the motor dealers. Brokers have not been successful in making inroads into the motor segment.
- Further, banks have been using their muscle power to capture their existing market where they are lenders. Clients in these cases are not given a choice and are practically bulldozed in taking their insurance from the insurer (bank partnered) only.
- Additionally, brokers too are not looking for newer avenues and are more or less chasing the same set of corporates.
- To make matters worse, Corporates are mis-utilizing the authority by issuing multiple mandates, leading to further chaos in the market and an unreasonable price drop.

With the limited centres for Brokers training, the cost incurred by a broking house for training of their members is rather high. How do you think this issue can be best addressed?

Yes, I wholly agree that the cost being incurred for training is rather high, particularly since the facility for training is not available in all the cities and is restricted to a few metros only. Also when insurers are not expected to have the 25 hour renewal training it is unreasonable to have it being insisted upon for brokers. IBAI has put forth a proposal that brokers attending any training program being organized by insurers should be given credit for number of hours trained and get an equivalent waiver from the stipulated norms.

Also to cut down cost, there should be the facility for the recognized institutes to conduct classes periodically in various cities as per the market demand.

Of the 35 (28 States + 7 Union Territories), 22 of them do not have any broker headquartered in their State/ UT - is it a matter of concern?

It is indeed a matter of grave concern. I personally think that sub-broking would be a solution to address this issue. IBAI is hopeful that IRDA will open up the market to sub broking. The committee constituted by IRDA has submitted its report in favour of sub broking and we look forward to being complemented soon.

In terms of Regulation, what are the areas you think that the Regulator can make changes to make the Broking environment more conducive in India

Now that 10 years have been completed, IRDA and all other stakeholders of the industry need to come together and review the entire broking system.

- Presently there is a maximum brokerage system and it would be more appropriate if there is a minimum brokerage structure.
- Also there should be at least a 5% difference between the commission structure designed for brokers and agents, considering the value add + the cost incurred by the broker being far higher.
- Claims consultancy cap of 1 crore should be removed with no upper limit.
- Wherever a Corporate is listed, it should be mandatory for SEBI to introduce a system of insurance portfolio audit, to be carried out by an insurance broker. Just as lenders are utilizing the services of insurance brokers for the Lenders insurance advisory, listed companies too should be using the services of professional brokers to check on the adequacy of their insurance. With this, brokers will be a more wanted entity in the market.
- Policies pertaining to the state and central government should mandatorily involve brokers to enable better servicing and price.
- It would also help if IRDA advertises the concept of broking.

To conclude, the broking industry in India has a bright future and all the concerned stakeholders need to come together to ensure that the creases are ironed out. I wish the entire industry and the broking fraternity in particular good times ahead.

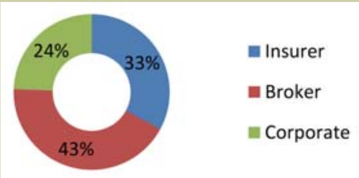
"Views expressed herein are purely personal and do not reflect the views of the Company"

inotes
Newsletter from India's Leading
Insurance Broking House
April 2013

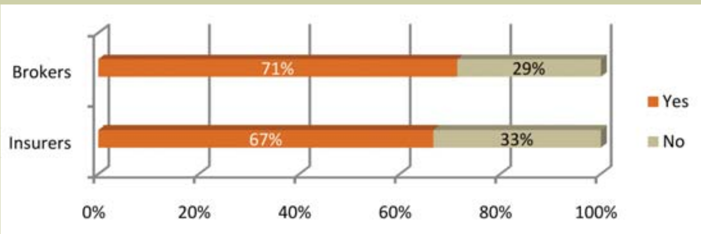
Insurance Broking In India... *and this is what the market says*

To gauge the pulse of the market on various issues related to the insurance industry, we had conducted an online survey. The survey findings have been tabulated below.

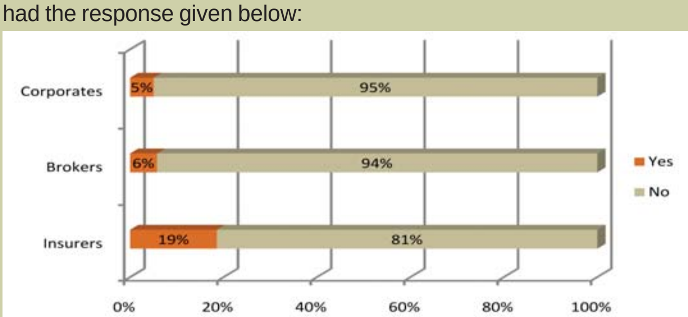
Respondent Profile



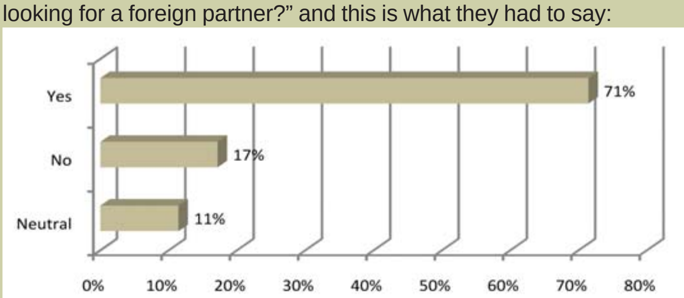
With the Cabinet approving the proposal to hike foreign investment ceiling in the insurance sector from 26% to 49%, the entire industry was looking forward to the amendment bill being approved in the last concluded winter session of the Parliament. However, this has been postponed yet again. We reached out to the insurers and brokers with the question "The increase in FDI cap from 26% to 49% - will it make a major difference in the Broking industry?" and this is what they had to say:



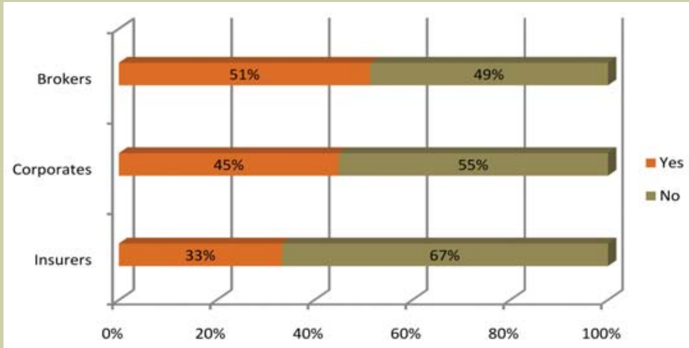
In October 2012, the finance ministry decided to allow banks to act as insurance brokers i.e. they would also be permitted to sell products of more than one insurance company. Prior to this amendment, the bancassurance policy permitted banks to sell products of just one insurance company. Announcing the agreement, the finance minster had quoted that it was desirable for banks to act as brokers and that the fiduciary responsibility of the bank will be to the policyholders. The response to our question "Will Banks be as effective as brokers to handle insurance broking?" had the response given below:



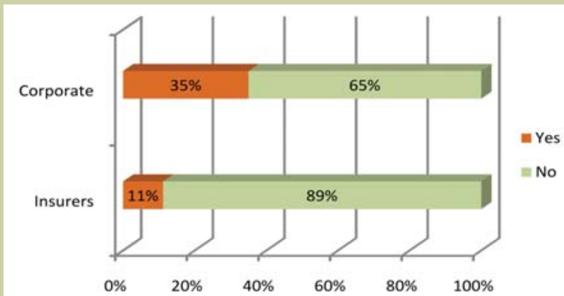
Mergers and acquisitions are taking place globally across industries. We had questioned the brokers on this. "Given an opportunity, will you be looking for a foreign partner?" and this is what they had to say:



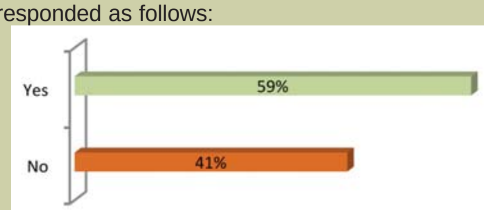
Knowledge of the brokers plays an important role in the growth of the broking industry. A growing concern today is the knowledge of brokers as regards the policy wordings, terms and conditions. With the de-tariffing of policy wordings on the anvil, we questioned the market on "Are brokers presently adequately equipped in terms of knowledge to handle de-tariffing of policy wordings?" The responses have been summarized in the graph below :



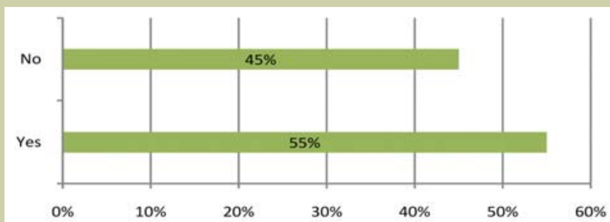
The response to our question "When brokers have been mandated, is it appropriate for customers to obtain direct quote from insurers too?" had a mixed response. 35% of the Corporates feel justified in mandating brokers and also handling insurers directly, while only 11% of the insurers thought it appropriate to do so. The results are as tabulated below :



In response to our question directed to Insurers whether "It is preferable to handle a deal through a broker rather than handling it directly," the insurers responded as follows:



The role of broker is well understood by the corporates during placement and also when a claim arises. So, we tried to understand from the corporates their experience with the brokers during the claim settlement process of non-health claims. The response of the corporates towards our question, "Are you satisfied with the Claims handling services being provided by your broker in case of non health claims?" is as follows:



(Contd... 10)

Readers Speak

"If the FDI hike receives parliament's approval how would it affect the industry and in case the approval does not come through, what would be the industry's loss? FDI hike viz -a viz listing of insurance companies - how do you compare the two?"

In the last issue of inotes, we had invited our Readers opinion on the above topic.

Response from Mr. Robert Vaz, Manager-Finance, Crompton Greaves Ltd, Switchgear Division, Nashik.

"If the FDI hike receives parliament's approval how would it affect the industry?"

Currently only 26% FDI is permitted in Insurance sector. Once it is raised to 49% it would certainly entail host of benefits to the Insurance Industry in some or other form. It would definitely be a right direction and be welcomed by Private Life and General insurance companies; in my view it would really be a wonderful thing to happen for the Indian insurance industry.

Public sector insurer may not see any immediate benefit but in the long run to stay competitive and maintain their current market share, they will have to improve in line with the market changes and also build up matching capability as being created by the private insurer. So industry as a whole would benefit.

"If it does not receive the approval, how would it affect the industry? "

Increasing FDI in Insurance to 49% has been one of the key agenda of the Government since opening of the sector; today industry is very closely monitoring the development on this front. So, at this juncture I do not see it not happening; it is only matter of time.

"FDI hike viz -a viz listing of insurance companies - how do you compare the two?"

In my view Listing and FDI are two independent issues. If FDI route is taken it is the foreign partner who brings in the money and capability. Foreign partner may also prefer the listing route to increase the stake if they have not increased it upto 49% earlier.

I foresee some of the companies (Indian or foreign partner) may prefer to offload the stake to the investor at a premium at the time of listing. (Provided particular company is doing well and giving good returns on capital)

At this juncture, it is essential to look into the aspect whether the life and non-life insurance industry really require this capital infusion? If yes, why?

Currently insurance industry is starving for the capital infusion and increasing the FDI to 49% and allowing the listing will open the avenue for the promoter to source much requisite capital from foreign partners or from public and investors. So it is very important for the growth and good health of the industry.

Only IPO may not suffice the need as most of the insurers have not been able to break even and earn profits consistently for 2-3 years. Under such circumstances public and investors may not be very keen and enthusiastic to invest, so relying only on IPO may not be an idealistic approach.

FDI route should be utilised initially and after successfully growing and profitable operation for few years may create better environment for listing.

"Views expressed herein are purely personal and do not reflect the views of the Company"

Next Issue: "The measure of insurance penetration reflects the level of development of insurance sector in a country, which is measured as the percentage of insurance premium to GDP. The IRDA Annual report 2012 brings to light the fact that first time in the history of the Insurance Industry in India since the private players have entered in 2001, there has been a fall in the Insurance Penetration levels. At present, penetration rate of general insurance in the country is mere 0.7% and that of life insurance is 3.4%. This is far behind its Asian peers. There is a lot more that has to be done to promote the non life insurance in the country. Government and industry is preparing a road-map to increase it to average standard, which is 1.5 to 4%."

"What according to you would best resolve this problem and help to increase the penetration levels? "

Please send your responses in 200 - 300 words to knowledge @indiainsure.com

Insurance Broking In India... *and this is what the market says... contd... # 09*

When the corporates were asked whether they would prefer placing business through a broker if they're currently not doing so, 44% of them said 'Yes' and an equally 44% remained neutral towards this and 12% of them said 'No'. Also when asked about continuing to book business through the existing broker during renewal, 69% of the corporates responded positively with a 'Yes', whereas 12% said 'No' and 19% remained neutral, indicating that there is a fair degree of confidence that the existing brokers have been able to build up with their customers.

Concerned about the drop in applicants for broking licenses, we questioned the brokers on whether they believed that "The broking industry in India is promising for brokers and the future is bright". 74% of the participants opined, that the future holds good for the broking industry while 26% differed in their opinion.

We also believe that the second decade will witness acquisitions in the broking space. With 74% of the brokers believing that the future is bright for the broking industry as well as the likelihood of some regulatory changes in the area of sub broking in the offing, the broking fraternity continues to be up beat and look forward with anticipation as to what the next decade holds in store.

News TitBits

IRDA panel for sub-brokers in insurance to push rural sales
Source: www.mydigitalfc.com

An IRDA appointed panel favored the appointment of sub-brokers for selling insurance products so as to increase penetration in the rural and semi-urban markets. Committee is of the opinion that it is the right time to introduce the sub broking system in India. This will enable the concept of broking to percolate down to smaller towns which will ultimately help the rural poor, final report on insurance sub broking said. The committee recommends allowing sub brokers to sell all the insurance products except reinsurance business, it said.

IRDA issues norms to bring clarity in health insurance
Source: Business Standard

In a bid to remove confusion and bring better clarity on various terms used in health insurance, the IRDA has issued guidelines for standardization of these. In an elaborate circular addressed to life insurers, non-life insurers, stand-alone health insurances and TPAs, IRDA has defined 46 commonly used terms and standardized 11 critical illness terms."Standard terms would reduce ambiguity, enable all stakeholders to provide better services and enable customers to interact more effectively with insurers, TPAs and providers. All insurers shall adhere to the stipulated definitions, while defining these 46 core terms in all health insurance policies," said the IRDA circular.

inotes Newsletter from India's Leading Insurance Broking House
April 2013

Report Card -February 2013

Gross premium underwritten by non life industry for and up to the month of February 2013* **(Rs. In crores)**

INSURER	FEBRUARY		GROWTH OVER THE SAME PERIOD OF PREVIOUS YEAR (%)	APR. 2012 - FEB. 2013		GROWTH OVER THE SAME PERIOD OF PREVIOUS YEAR (%)
	2013	2012		2013	2012	
New India	776.59	653.20	18.89	8,956.48	7,641.65	17.21
United India	672.91	596.70	12.77	8,311.44	7,013.07	18.51
National	758.78	656.87	15.51	8,085.30	6,841.69	18.18
Oriental	523.00	449.83	16.27	5,843.07	5,347.66	9.26
ICICI-Lombard	496.41	425.84	16.57	5,655.27	4,734.39	19.45
Bajaj Allianz	316.93	280.33	13.05	3,528.24	2,934.07	20.25
AIC	477.17	375.50	27.08	3,008.68	2,431.73	23.73
IFFCO-Tokio	214.33	185.53	15.53	2,329.44	1,767.95	31.76
HDFC ERGO	203.61	145.25	40.18	2,201.77	1,630.80	35.01
Tata-AIG	169.87	129.04	31.64	1,903.29	1,499.56	26.92
Reliance General	155.06	141.62	9.49	1,853.26	1,577.42	17.49
Chola	129.75	105.66	22.80	1,459.18	1,228.72	18.76
Royal	130.03	134.04	-3.00	1,407.30	1,330.00	5.81
Shriram	139.25	128.57	8.31	1,369.27	1,113.10	23.01
Bharti AXA	101.22	82.09	23.31	1,098.71	774.70	41.82
ECGC	101.53	81.18	25.07	1,024.78	869.36	17.88
Future Generali	77.19	71.24	8.34	1,003.61	834.71	20.23
Star Health	76.29	52.15	46.29	740.39	1,061.71	-30.26
SBI General	79.29	30.61	159.06	653.17	210.90	209.71
Apollo Munich	79.59	70.94	12.19	547.64	419.48	30.55
Universal	43.97	29.91	47.00	463.80	355.85	30.33
Max BUPA	18.72	10.15	84.32	175.21	98.97	77.04
L&T General	15.62	15.38	1.51	145.69	124.46	17.06
Magma HDI	17.76			66.75		
Religare	5.88			33.00		
Raheja QBE	1.97	1.39	41.64	19.51	13.53	44.18
Liberty	0.85			0.86		
PRIVATE TOTAL	2,473.59	2,039.76	21.27	26,655.35	21,710.32	22.78
PUBLIC TOTAL	3,309.98	2,813.29	17.66	35,229.76	30,145.15	16.87
GRAND TOTAL	5,783.57	4,853.05	19.17	61,885.11	51,855.46	19.34

* Source : IRDA

February -2013

- The non-life industry has registered a growth rate of 19.17% for the month of February 2013(compared to the corresponding period last year). Total premium collected by general insurers is Rs 5783.57 crores in February 2013 vis-à-vis Rs. 4853.05 crore in February 2012.
- The accretion achieved by the PSU's during the period April 2012 - February 2013 is Rs. 5084.61 crore while the private players have achieved Rs. 4945.04 crore towards the overall market accretion of Rs 10,029.65 crore.
- The PSU's have registered a growth rate of 16.87% during this period compared to last year's 22.50% while the private players have registered a growth rate of 22.78% during this period compared to last year's 25.19%.
- The major contributors for the performance during the period April 2012- February 2013 have been New India with an accretion of Rs. 1314.83 crore, United India with an accretion of Rs. 1298.37 crore, National with an accretion of Rs 1243.61 crore, ICICI Lombard with an accretion of Rs. 920.88 crore and Bajaj Allianz with an accretion of Rs 594.17crore.
- In terms of growth rate during the period April 2012-Feburary 2013, amongst the private players, SBI General registered a growth of 209.71% followed by Raheja QBE with 44.18%, Bharti Axa 41.82%, HDFC Ergo 35.01% and Iffco Tokio 31.76%.
- In terms of growth rate amongst the health insurance players during the period April 2012- February 2013, Max Bupa registered a growth of 77.04% followed by Apollo at 30.55% Star Health registered de-growth of -30.26%.
- The PSU's have decreased their market share collectively from 58.13% to 56.93% for the period April 2012-February 2013 while the private players have increased their market share collectively from 41.87% to 43.07%.

News TitBits

Experts warn of sharp rise in health insurance frauds

Source: The Economic Times

9 out of 10 frauds in country's insurance sector occur in the mediclaim policy segment and there is a need to adopt measures to reduce the trust deficit between insured and insurer."In insurance industry, number of grievances received or number of frauds committed is an indicator of growth trend of particular segment. In entire insurance sector, 90% of frauds and grievances come from health policies," said Niraj Kumar, General Manager, Oriental Insurance Company.

TS Vijayan appointed as IRDA chairman

Source: The Indian Express

The government has appointed former chief of the LIC of India TS Vijayan, as the country's new insurance regulator. He will have 5 year tenure. Born in 1953, Vijayan joined LIC as a direct recruit officer in the year 1977.

Finance Ministry issues guidelines on third-party motor claims

Source: Asia Insurance Review

The Finance Ministry has issued guidelines for non-life insurers to negotiate third-party motor claims in order to reduce liability, ensure faster claim settlement, check for fraudulent claims and stop issuing cover notes for such policies. FM P Chidambaram has promised a separate Motor Vehicle Insurance and Compensation Bill for obligatory underwriting of third-party risk long-term measures to cut losses within the sector. Sources from the ministry have been quoted as saying that the insurers, who are estimated to shell out over INR100 billion (US$1.86 billion) annually as liability for such policies, will benefit from these norms.

FM asks IRDA to increase insurance density

Source: Economic Times

Finance minister P Chidambaram urged the insurance regulator to focus more on its developmental role to increase the insurance penetration in the country, which is well below its need and potential. "For the first time we have a former insurer as the head of IRDA and you have a mandate to develop the insurance industry. While regulations are important, development of the industry is equally important," he said referring to TS Vijayan, the new chief of IRDA.

Core investment companies can now set up insurance biz

Source: Hindu Business Line

The RBI has unveiled guidelines for core investment companies (CICs) to set up a joint venture company for undertaking insurance business with risk participation. In its guidelines, the RBI has specified that for floating an insurance venture, the CIC's owned funds should not be less than Rs 500 crore and it should have earned net profit for three consecutive years. Further, the CIC's non-performing assets should not be more than 1% of the total advances; and the track record of the performance of the subsidiaries, if any, should be satisfactory.

News TitBits

Insurers ask IRDA to defer new health insurance rules
Source: Asia insurance review

Insurers have asked IRDA to postpone the implementation of the health insurance regulations, fearing delays in product approvals will result in loss of business. The GI Council said in a letter to IRDA that the deadline is too early to make changes in product features, inform customers, change brochures and sales material, and modify the systems. More than 50-60% of the health insurance products of both life and non-life insurers will require changes in features and premium rates in line with the new regulations, say industry officials. The new regulations apply to all kinds of health, personal accident and travel insurance products.

IRDA proposes to lower solvency margin to 145 % for insurers
Source: The Economic Times

IRDA proposed to bring down solvency margin requirement to 145 % against the existing norm of 150 % from next fiscal subject to adequate provision for risky investments. Solvency margin is an indicator of claim settlement capability of insurers."After the implementation of above risk charge, solvency margin instead of being at 150 % shall be set at 145 %. The said requirement shall be applicable from financial year 2013-14," IRDA said in an exposure draft

Industry assets to reach US$550 bln in 5 years - IRDA
Source: Asia Insurance Review

"When the insurance industry was opened up in 2000, the total controlled funds were about INR 1 trillion. It was INR 8 trillion in 2008 and is INR 18 trillion now. After five years, it will be about INR 30 trillion," says Mr Hari Narayan in the report. The size of funds managed by insurers in India is expected to grow 70% to reach INR 30 trillion (US$550 billion).

Insurance density falls for first time in India: IRDA
Source: Business Standard

IRDA said that since opening up of Indian insurance sector for private participation, India has reported a fall in the insurance density for the first time in the year 2011. The figure fell to $49 (about Rs 2,695) in 2011, from $55.7 (about Rs 3,063) in 2010.According to IRDA Annual Report for 2011-12 there was an increase in insurance density for every subsequent year from 2001.

Standalone healthcare insurance premium decline 9% in Apr-Jan
Source: mydigitalfc

The 4 standalone health insurance companies earned Rs 1,315.77 crore till January in fiscal 2013, compared to Rs 1,446.91 crore during the same period. The fall was led by Star Health, which saw its premium collections fall from Rs 1,009.56 crore to Rs 664.10 crore. Its collections in January 2013 stood at Rs 78.05 crore compared to Rs 153.45 crore in January 2012, a fall of 49%.The total healthcare insurance business is estimated to be Rs 15,000 crore, growing at about 25% annually, says Mr. Nitin Jain- COO of Religare Health Insurance.

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