Featured Articles

Supreme Court panel wants 3-year insurance policy for cars, 5-year policy for motorbikes at time of sale

Concerned over poor compliance of third party insurance of vehicles, which puts all road users at risk, the Supreme Court Committee on Road Safety has asked the insurance regulator to offer mandatory three-year insurance policy for cars and five-year policy for motorbikes at the time of sale and registration. Sources in the Insurance Information Bureau (IIB) said only 6.5-7 crore vehicles had insurance cover against approximately 18 crore registered vehicles. Government officials said almost 50% of vehicles plying on roads had no valid insurance and large share of them were two-wheelers. Driving any vehicle without third-party (TP) insurance is an offence and attracts a fine of up to Rs 1,000 with a possible jail term of three months. These vehicles pose a serious risk as accident victims have little chance of getting inadequate compensation.

Self-damage and other insurance covers except TP are optional. Representatives of Insurance Regulatory and Development Authority (IRDA) told the SC panel at a recent meeting that it had allowed three-year insurance plans for two-wheelers and insurance companies could offer them. "But the road safety committee said this must be made mandatory to increase compliance. Giving any option does not work," said a source who attended the meeting. Data shows that five-year TP insurance upfront for two-wheelers will be almost similar to what companies charge for comprehensive insurance. For example, the annual TP insurance premium is only Rs 720 for majority of two-wheelers and so five-year insurance will be Rs 3,600, which is slightly higher than one year's comprehensive insurance policy. But insurance companies have their reasons. "The problem of uninsured vehicles can be fixed mainly by enforcement. Why can't government devise a norm that every vehicle owner has to renew the registration annually in place of the present 15 years? No registration can happen without insurance and so there will be 100% compliance. Now, with all these processes going online, this proposition won't be difficult to implement," said an industry representative. He added that though a few companies have been offering three-year insurance for two-wheelers, there were few takers.

National Insurance Company looks to list by March 2018

In the general insurance space, ICICI Lombard General Insurance and New India Assurance got listed recently. State-owned insurance company National Insurance Company is looking to list by March 2018. The company which has received an in-principle approval from Insurance Regulatory and Development Authority of India (IRDAI) may require higher amount of funds than the ones that got listed recently. K Sanath Kumar, chairman and managing director, National Insurance Company, said: "We are hopeful of getting listed by March 2018 and working towards it. We will need adequate amount of funds to support out growth path."

In the general insurance space, ICICI Lombard General Insurance and New India Assurance got listed recently. State-owned reinsurer General Insurance Corporation of India (GIC Re) was also listed in October. National Insurance, which had its solvency drop to below 1.5, was able to bring it back to the minimum required level of 1.5. The solvency was taken up to 1.9 by reduction in exposure to loss- making group health cover, re-pricing of health and motor products as well as lower subordinate debt.

IRDA caps insurer's payment to dealers

The motor insurance industry is undergoing a shakeup with the sector regulator bringing to an end the decades-old practice of general insurance companies paying commission under the table to automobile distributors for selling their policies. Insurance Regulatory & Development Authority (IRDA) has capped payments by insurers to agents and dealers at 19.5% for cars and 22.5% for two-wheelers and brought them under its purview as motor insurance service providers (MISPs) starting this month, a move that is expected to bring down claims ratio. "The implementation is on way and we have to see the impact of that entire dealership comes under the regulatory supervision," said an insurance company executive who requested not to be named. "There were payouts happening in other forms, to dealers and to brokers, which has come down now to one commission to dealers." These dealers were outside IRDA'S regulation for so long. With IRDA'S regulations, they have been now structured and brought under the regulator's ambit. They can choose to work with brokers or with insurance companies, but under the regulator's supervision.

Insurers said the development will help the industry in better claims management and reducing expenses, which were paid earlier as outsourcing expenses. "MISPs were outside the purview of regulation and the industry was paying them infrastructure or outsourcing expenses," G Srinivasan, chairman at New India Assurance, had said earlier. "We feel that this will help us in bringing down the claims ratio," he had said after announcing second quarter results of the company. "Second, payments, which are made to dealers, which are little on a higher side and now reduced and standardized. So the outgo for the company will also come down," Srinivasan said. Motor is the largest segment of general insurance business. Combined ratio for motor insurance is above 100%, which means that the business is not making profit. Combined ratio is a measure of profitability used by an insurance company to indicate how well it is performing from operations. "

IRDA clarifies motor insurance guidelines

The insurance regulator today further clarified the guidelines on motor insurance asking automobile dealers who have turned into motor insurance service provider and insurance intermediary not to enter into an agreement with the original equipment manufacturers which has an influence on the sale of motor insurance policies. This has opened up auto dealership to the entire insurance industry. The insurance regulator wants the tie-up to be between insurance companies, intermediaries and automobile dealers who have turned into MISP. "It is reported that the Original Equipment Manufacturers -OEM's are exercising undue influence both on the insurance intermediary and the automobiles dealer who have become MISP without having corresponding accountability for their actions," said regulator in a circular issued on Thursday.

"In order to ensure that MISP guidelines work in the interest of the customers, it is advised that no MISP or the insurance intermediary can enter into an agreement with the OEM which has an influence or bearing on the sale of motor insurance policies." Insurance companies had approached the regulator stating that they are not included in the panel of Insurance brokers, MISP's as it is not compulsory for Insurance broker, MISP to empanel all insurance companies for selling motor insurance policies. The regulator has capped payments by insurers to agents and dealers at 19.5% for cars and 22.5% for two wheelers and brought them under its purview as motor insurance service providers from November 2017. IRDA said that it is of the view that with the remuneration levels for the insurance intermediaries and MISP being stipulated, the creation of a panel of insurers is restrictive, which can lead to undesirable market practices. "

Quick News

LIC trims stake in Sterlite Technologies by 2%

State-owned Life Insurance Corporation (LIC) has reduced its stake in telecom products manufacturer Sterlite Technologies by 2% after selling 80.28 lakh shares in the open market.

SBI Life launches term policy with health cover

Private life insurance company SBI Life today announced the launch of a term policy with critical illness cover for 36 diseases. The critical illness cover increases as the term of the policy progresses over the years. President for eastern, central and north-eastern region of SBI Life, Ravindra Kumar said the policy, SBI Life Poorna Suraksha, was aimed at the initial years of a person's life, the liabilities were higher and decreases as years progress.

Digital Disruption in Insurance

India's century-old insurance market, which had been relatively staid in terms of innovation for decades, is transforming to improve solvency standards and deliver new competitiveness and efficiencies. It was a milestone year (2017) for India's insurance sector, as insurers continued to ride the wave of investor demand for insurance IPOs. India's century-old insurance market, which had been relatively staid in terms of innovation for decades, is transforming to improve solvency standards and deliver new competitiveness and efficiencies. As the government seeks to liberalize the sector, improve efficiencies at state-owned insurance companies and grow the pool of insurance capital eligible for investment in other Indian assets, investors have been responding positively to the opportunities in the sector. Recent IPOs in domestic insurance closed multiple times oversubscribed, with pricing coming in at the top of pricing ranges, although stock market performance since listing has been mixed. The focus on growing the insurance sector is attracting interest of foreign investors. Following the government's move to raise FDI ceiling in the sector in March 2016 to 49% through the automatic approval route, up from 26%, FDI inflows in the services sector (which includes banking, insurance and other financial services) accounted for the second largest share of FDI inflows to India in the July-September quarter of 2017 at $2.9 billion. This accounted for 19.2% of total FDI inflows over the period. The attractiveness of the insurance sector to investors has been driven in part by the potential for deeper market penetration and better performance as India has historically had relatively low penetration rates for insurance. Health insurance renewal without Aadhaar cannot be denied till March 31. Is your health insurance policy up for renewal before the quarter ending March 31? And did the insurance agent or official ask you to mandatorily furnish your Aadhaar number when you went to get the policy renewed? Well, you are not alone. There have been instances where health insurance policyholders have been asked to provide their Aadhaar card number at the time of renewing their policies.

But can the insurer still refuse to renew your health insurance policy without your Aadhaar number if the renewal date falls before March 31, 2018? "No, it cannot refuse to renew your health insurance policy if you have not yet updated or linked your Aadhaar number," says Sarin. IRDAI cites the central government's gazette notification on December 13 relating to Prevention of Money-Laundering (Maintenance of Records) (Seventh Amendment) Rules, 2017. Earlier on November 8, 2017, the IRDAI had directed insurers to link Aadhaar and Pan Card numbers of policyholders with their insurance policies by December 31, 2017, which was the earlier deadline. Now, the deadline has been extended to March 31, 2018. It is to be noted that the matter has been challenged in the Supreme Court and the final verdict, which is still awaited, may impact the government directive.

RBI notifies 49% FDI under automatic route in insurance

No Indian Insurance company shall allow the aggregate holdings by way of total foreign investment In its equity shares by foreign investors, including portfolio investors, to exceed forty-nine percent of the paid up equity capital of such Indian Insurance company," it said. Reserve Bank has notified 49 percent foreign direct investment (FDI) under automatic route in insurance sector. The extant FDI policy for insurance sector has since been reviewed by the Government of India and accordingly it has been decided to enhance the limit of foreign investment in insurance sector from 26 to 49 percent under the automatic route subject to certain terms and conditions which have been notified on March 30," RBI said in a notification. "No Indian Insurance company shall allow the aggregate holdings by way of total foreign investment in its equity shares by foreign investors, including portfolio investors, to exceed forty-nine percent of the paid up equity capital of such Indian Insurance company," it said.

"The foreign investment up to 49 percent of the total paid-up equity of the Indian Insurance Company shall be allowed on the automatic route subject to approval or verification by the Insurance Regulatory and Development Authority of India," it said. The foreign equity investment cap of 49 percent will apply on the same terms as above to Insurance Brokers, Third Party Administrators, Surveyors and Loss Assessors and Other Insurance Intermediaries appointed under the provisions of the Insurance Regulatory and Development Authority Act, 1999. Earlier, only up to 26 percent FDI was permitted through the automatic approval route. For FDI up to 49 percent, the approval of the Foreign Investment Promotion Board was required. There are 52 insurance companies operating in India, of which 24 are life insurance business and 28 in general insurance.

DISCLAIMER

This newsletter is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you.

Great Indian Insurance Web Aggregators Pvt. Ltd. (hereinafter referred as GIIWA) is not soliciting any action based upon it.

The newsletter is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. GIIWA or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this newsletter. GIIWA or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

GIIWA and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the views mentioned in this report. This information is subject to change without any prior notice. GIIWA reserves the right to make modifications and alterations to this statement as may be required from time to time.

ABOUT US

InsuringIndia.com is India's first multilingual portal and one of the leading online insurance aggregators. We provide an intelligent customer-centric online platform for our clients, in their language of choice, to compare and choose all types of insurance products.

Website: www.insuringindia.com

CONTACT DETAILS

Corporate Office: Plot-122, Sector 6, IMT Manesar, Gurgaon-122050, Haryana, India
Phone: 0124 – 4745000
Email: research@insuringindia.com