Featured Articles

IRDAI slaps Rs 20 lakh penalty on Oriental Insurance Co

Insurance regulator IRDAI has imposed a penalty of Rs. 20 lakh on state-owned Oriental Insurance Company for violation of guidelines including those related to solicitation and group insurance.

There were four charges on the general insurer and the Insurance Regulatory and Development Authority of India (IRDAI) has imposed fine of Rs 5 lakh against each of them. According to the IRDAI directive, the penalty amount of Rs. 20 lakh will have to be debited to the shareholders account of Oriental Insurance within a period of 15 days and then remitted to IRDAI.

One of the charges was that the insurer instead of using its own portal had entered into an agreement to use the portal of Hero Corporate Services Ltd (HCSL) who is also a corporate agent of another general insurance company.

The regulator also observed from sample Memorandum of Understanding (MoU) copies that no entity / motor dealer with which the insurer has entered into agreement, is a licensed entity by the regulator.

The IRDA gave its final order in the matter of the general insurer based on reply of the Show Cause Notice and submissions made during personal hearing.

Term insurance gets going with online push

The digital journey seems to be giving a vital push to pure protection or term insurance plans, which Indian consumers never desired before.

According to top life insurers, the share term policies to total business has doubled to about 5-7% in 2015 on an average, with new generation and more savvy customers buying pure life protection plans online. This is however just about scratching the surface as term policies account for around 50% share in developed economies such as Japan or the USA.

Digital marketing has given a fillip to term insurance sales, especially because of the simplicity of the product making it easy to compare features online. Also, with the advent of e-commerce, more and more people are feeling comfortable with the idea of buying financial products online.

SBI Life Insurance Company Managing director & CEO Arijit Basu said the share of term policies has risen to about 10-12% in 2015 from about 5% three-four years back. One of the first movers in offering term insurance plans, Aegon Life Insurance said 10-11% of its business comes from term insurance while nearly a quarter of its policies sold are term policies.

"I see the protection market moving very fast with financial awareness rising. In another 15 years' time, the market should grow to world class level," said Amit Kumar Roy, chief distribution officer at Aegon Life Insurance.

Coming soon: Mother of all health schemes

The health ministry plans to roll out a centrally sponsored 'Health Protection Scheme' which will replace several of the existing government-supported health schemes including Rashtriya Swasthya Bima Yojana (RSBY), the government's flagship health insurance plan catering to families below poverty line (BPL).

The proposed scheme will initially provide a minimum cover of Rs 50,000 to around 8 crore families or almost 40 crore people. It will also offer special top-up benefit packages for senior citizens. "The proposal is to converge all centrally-sponsored health insurance schemes and in their place launch a new and superior centrally sponsored health protection scheme," said a senior health ministry official.

According to the proposal, the total budget for the scheme over next five years is pegged at Rs 23,415 crore. The central assistance would be given at a fixed rate of Rs 500 per family per annum for the core scheme. The state contribution is pegged at Rs 300 per family per annum.

To cover 8 crore beneficiary families, the total estimated cost for premium would be Rs 6,400 crore per year and the Centre's contribution is pegged at Rs 4,000 crore a year. Apart from this, the projected premium outgo on account of senior citizens is estimated at around Rs 1,000 crore per year with the Centre contributing Rs 600 crore annually.

IRDAI on use-and-file products

The Insurance Regulatory and Development Authority of India (IRDAI) has said that commercial products in general insurance will be sold under use-and-file procedures. Use-and-file is a procedure where the insurer is permitted to market the product without prior noting of IRDAI. The guidelines will come into force with effect from April 1, 2016.

The procedure requires the products to be necessarily filed with the Authority before these are marketed. In its guidelines on product filing for general insurance companies, IRDAI said that all retail products (including their modifications) shall be filed with the authority under File and Use procedures.

Commercial products offered to commercial customers (such as micro small & medium enterprises, small shops and establishments, trustees, cooperative societies etc.) with a policy sum insured up to Rs 5 crore (for package policies fire section Sum Insured) or as prescribed by the Authority from time to time shall be filed under File and Use Procedures.However, the regulator said that all products under File and Use procedures need thorough scrutiny and recommendations made by the Product Management Committee of the insurer.

The insurer, in view of File and Use and Use and File procedures, has to set up a Product Management Committee to review and recommend all the products that are in existence either continues to be offered/withdraw/modify. It also said that all new products proposed to be filed with the Authority.

Quick News

KKR picks up 10% stake in Max Financial Services

Global private equity fund KKR has picked up 9.95% stake in the listed Max Financial Services, the newly demerged entity of the Max Group that owns an approximate 72% stake in Max Life. KKR acquired its stake from a sponsor group led by Analjit Singh, Chairman Emeritus of the Max Group. KKR made its investment from its Asian Fund II through the portfolio investment route. JM Financial was the sole advisor to the transaction. Max Financial shares rose around 7% on Thursday to Rs. 353 a share on the Bombay Stock Exchange.

Rajesh Sud appointed Exec Vice Chairman and MD of Max Life

Max Life Insurance, a joint venture between Max Financial Services Ltd. and Mitsui Sumitomo Insurance Co. Ltd, is pleased to announce that Mr. Rajesh Sud has been appointed the Executive Vice Chairman and Managing Director of Max Life Insurance with effect from January 29, 2016. A founder team member, Rajesh was amongst the first few management team members to join Max Life Insurance. In November 2008, he took over as the CEO & Managing Director of the company. He leads the company towards achieving its vision of being the most admired life insurance company by securing the financial future of customers.

IRDA norms to ensure no forced sale of home insurance

In a bid to ensure that banks do not cross sell home loan covers of their insurance subsidiaries/partners, the IRDAI has asked corporate agents (banks, NBFCs, brokers that distribute insurance policies) to ensure that there is no forced selling. Corporate agents would be required to certify on a half yearly basis that there is no forced selling of an insurance product to any customer. The regulator has also asked corporate agents to have a professional indemnity cover that is twice their total annual remuneration.

The deviations, if any, from the underwriting policy has to be brought to the notice of the board for approval by PMC. It added that the deviations should not be undertaken in a routine manner, except in extreme exigencies by recording full facts.

The PMC has to submit reports independently to the insurer and assist insurer in effective control over the risks posed, in particular, by insurance products being sold by the insurer. In order to be in consistence with the board approved underwriting policy, the PMC will carry out a due diligence process and record its concurrence/sign off on various product related risks for all products falling under File and Use and Use and File procedures.

It should necessarily include the high level officials of insurer, who are primarily responsible in product design, from departments like underwriting, marketing, actuary and claims among others. It is suggested to include the following designates in the PMC.

However, the CEO of the insurer will have an overall responsibility for ensuring that a robust due diligence process is in place to mitigate risks of new and current products.

"The role of PMC is very important under these guidelines, which is required to act as a self governing body within the insurance company to ensure quality product design, filing with complete compliance of regulatory requirements and performance review," said IRDAI.

With respect to tenders for the tender process for the proposed insurance schemes sponsored by government, IRDAI said that insurers should not canvass business through a non-participative process of tendering or e-bidding including to any government undertaking or PSU. The regulator said that it is reiterated that limiting competition to price alone is against the interests of the client to whom quotation is offered and since the policyholders' fund ultimately is affected by the results of the business, it is generally against policyholders' interests.

With respect to commercial products under use-and-file, IRDAI said that pricing should be made based on sound actuarial calculations, supportive data and the discounts/loadings offered should be on objective basis with appropriate justifications duly certified by the Appointed Actuary.

However, nothing prevents the Authority to check the filings in detail and the Authority, if finds the product is not in the interests of the policyholders or not in conformity with the regulatory compliance, may advise to suspend or withdraw or to re-file even under File and Use Procedures.

Centre urged to withdraw service tax on life insurance premium

The Insurance Employees Union of Belagavi division has urged the Union government to withdraw service tax on life insurance premium, provide exclusive income tax rebate under Section 80 C of the Income Tax Act and extend tax benefit for short-duration policy contracts, reports a daily newspaper.

Considering the unique nature of savings in life insurance, life insurance premium needed to be treated in a special manner. The government could provide exclusive tax rebate in life insurance savings for at least an amount of Rs. 2 lakh. At present, life insurance savings were clubbed with other modes of savings for the purpose of tax rebate under Section 80 C of the Act.

Insurers more focused on micro insurance sector

Insurance companies are becoming active on the micro insurance front by partnering with business integrators to bring micro insurance to mid-income rural households. They are also experimenting with micro term insurance plans with return of premium option. Plus, they are tying up with different companies to reach rural customers.a

At the beginning of this year, Bajaj Allianz Life Insurance launched a micro term insurance plan, 'Bajaj Allianz Bima Dhan Suraksha Yojana' with return of premium option. The company is targeting the small income groups in rural parts of the country and so the minimum premium of the policy is capped at Rs. 1500 annually or Rs. 200 monthly.

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