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### Third party vehicle insurance premiums in India likely to cost more

The IRDA has proposed a hike in third party vehicle insurance premiums by around 3%-30% across all categories. If the proposal is cleared, it will come into effect from April 1, 2016.



As per IRDA's proposal, four wheelers with engine capacity below 1,000cc will attract a 30% hike while those with engine capacity over 1,000cc will attract a 25% hike in third party insurance premium.

Two-wheelers haven't been spared either with a 9.63% hike proposed for those with engine capacities below 75cc. The hardest hit amongst two-wheelers will be those with engine capacities between 150 to 350cc as their insurance premiums could go up by 25.09%. However, owners of two-wheelers above 350cc would be paying around 10% less.

In case of four-wheelers that carry passengers i.e. cabs and taxis, the third party insurance premium will be dearer by 30% for vehicles with engines below 1,000cc and by 25% for vehicles with engines above 1,000cc.

IRDA has proposed these hikes after evaluating data pertaining to number of policies, claims reported and amount of claims paid for each vehicle category. It has sought comments from stakeholders before March 20, 2016.

### Chennai tops in health cover, Mumbai worst

More than half of Chennai's households have a member covered by a health scheme or health insurance. Thanks in-part to a massive government health insurance scheme that covers nearly 5 crore people, or more than three-fourth of Tamil Nadu's population, Chennai is the city with the most health-insured people among metros. Hyderabad, coming close to Chennai, also benefits from a government insurance scheme.

Data from the National Family Health Survey-4 released by the Union health ministry shows that almost all metros have more than doubled their insured population in the past ten years, a pace organisations like World Bank say has probably not been witnessed anywhere else in the world.

In Chennai, 56.8% of households are covered by health insurance followed by Hyderabad with 49.8% and Kolkata with 26.1%. Among the metros, Mumbai (city) has the lowest coverage at 12.4%. The data for New Delhi, however, is yet to be released.

Among states, more than three-fifth of the people in Tamil Nadu got health insurance in the last decade, lowering the number of uninsured by 60% from 2005-2006. At the national level, 17% of the population was under the health net until 2014.



## Bajaj Allianz Life Insurance launches Principal Gain with assured return in ULIPs

Bajaj Allianz Life Insurance, one of India's leading private life insurers, has launched Bajaj Allianz Life Principal Gain, a unit-linked product with assured returns. This plan assures 101% of premiums paid as return even if the market sees a slowdown and offers a guaranteed loyalty addition for those who stay invested till the maturity period.



As maturity benefit, a person will receive the Fund Value as on date (including Guaranteed Loyalty Additions) or Guaranteed Maturity Benefit of 101% of the total premiums paid, whichever is higher. The Guaranteed Loyalty Addition option helps one get higher return, since it provides 4% of one year's premium at maturity, if the policy term is up to 10 years and 15% of one year's

premium at maturity, if the policy term is more than 10 years. Available both offline and online, the minimum premium for Principal Gain is capped at Rs. 35,000 annually. The maximum policy term is 15 years.

With this product, the Company has also introduced its unique Guaranteed Builder Portfolio Strategy, an investment option that automatically decides the allocation of the premium in equity and debt funds based on the policy year. The plan comes with the option to take maturity benefit in installments (Settlement Option) over a maximum period of 5 years. This will enable one to protect his or her fund value from any unforeseen slowdown. In case of the unfortunate death of the life assured during the policy term, the Sum Assured or Fund Value or Guaranteed Death Benefit of 105% of the total premiums paid till the date of death, whichever is higher, will be paid.

## Reliance Capital completes Nippon Life stake sale in Reliance Cap Asset management

Reliance Capital, a part of Anil Ambani led Reliance Group, has completed the transaction for receipt of approx. Rs 1,200 crore (US\$ 180 million) from Nippon Life Insurance for additional 14% stake sale in Reliance Capital Asset Management (RCAM).

Nippon Life Insurance (NLI), a Fortune 500 company and one of the largest life insurers in the world, now becomes a co-sponsor of Reliance Mutual Fund, along with Reliance Capital, and will own 49% in Reliance Capital Asset Management.



Nippon Life Insurance Company

The Board of Directors of Reliance Capital Asset Management, in a meeting held here today, approved the transfer of an additional 9.57% stake to Nippon Life Insurance, with the balance 4.43% to be transferred in the next couple of weeks.

The transaction pegs the valuation of Reliance Capital Asset Management at Rs 8,542 crore (US\$ 1.3billion), the highest valuation till date for any asset management company in the country.

In line with the new shareholding, the name of Reliance Capital Asset Management would also be changed to Reliance Nippon Life Asset Management.

## Quick News

### General insurance premiums may go up by 10% in April

A 10% increase in reinsurance rates is likely to take place in April this year according to Alice Vaidyan, Chairman and Managing Director of General Insurance Corporation, India's sole reinsurer. This may result in pushing up general insurance premiums also. Reinsurance rates could increase in segments such as motor and property insurance, which have faced losses due to natural calamities. For instance, insurance companies fielded claims worth nearly Rs. 5,000 crore during the Chennai floods.

### Aviva India appoints Prashant Sharma as Chief Investment Officer

Aviva Life Insurance announced the appointment of Prashant Sharma as the Chief Investment Officer. Prashant has over 15 years of experience in fund management and brings with him in-depth understanding of markets and the insurance industry. Prior to joining Aviva, Prashant has been Head of Equity and Chief Investment Officer at Max Life Insurance over the last few years. He had joined Max in 2001 and was a part of the founder member team.

### Insurance Council appoints ex-industry officials to cut expenses

The Insurance Council has started hiring retired staffers at ombudsman centres to replace its existing workforce comprising officials on deputation to cut costs. The council, that facilitates functioning of 17 insurance ombudsman centres and employs 120 people, has already hired 23 retired officials from state-owned non-life insurance companies. Now, it will begin appointing staff from life insurance sector as well as it seeks to almost halve its establishment costs over the next two-three years.

## Punjab keen to implement new crop insurance scheme

With crops been affected due to recent unseasonal rains, Punjab government is considering adopting the Pradhan Mantri Fasal Bima Yojana (PMFBY).

Initially, Punjab government was not too keen to adopt PMFBY and Weather-based Crop Insurance Scheme (WBCIS) as the state's production variability was very low due to assured irrigation. Farmers were also not encouraged to take crop insurance as they could save their crops during drought through additional irrigation. Even the state government has been providing electricity subsidy to farmers for this purpose. The state government will meet on March 23 at Punjab Agriculture University, Ludhiana to explore the possibilities of implementing PMFBY and WBCIS.



Unseasonal rains and hailstorm in the last few days in some parts of Punjab have affected wheat and other rabi crops. It is estimated that 5%-7% wheat crop has been affected and the government is still assessing the extent of loss. To protect farmers from vagaries of monsoon, the central government came out with the new crop insurance scheme, which will come into force from April 1 for kharif crops. Under the scheme, farmers' premium has been kept lower between 1.5% and 2% for food grains and oilseeds crops, and up to 5% for horticultural and cotton crops.

The government is targeting to increase the insurance coverage to 50% of the total crop area of 194.40 million hectares from the existing level of about 25%-27% crop area. The expenditure is expected to be around Rs 9,500 crore.

In PMFBY, there will not be a cap on the premium and reduction of the sum insured. Besides, 25% of the likely claim will be settled directly on farmers account and there will be one insurance company for the entire state as well as farm level assessment of loss for localized risks and post harvest loss.

## Cost of natural disaster cover to rise

Cost of covering property against natural catastrophes is set to rise from the financial year 2016-17, with claim intimations from the Chennai floods crossing Rs 4,500 crore. Representatives of the non-life industry met recently to take stock of industry losses and compute an increase in rates.

Insurance companies have been hit by several natural disasters in recent years. The Uttarakhand floods in 2013 were followed by Cyclone Hudhud in 2014. In 2015, non-life companies were hit by claims arising out of the Chennai floods. Total claims arising out of natural catastrophes in the last three years have crossed Rs 10,000 crore. An official with a public sector insurance company said that they would increase premium for natural catastrophe risks from roughly 15 paise per Rs 1,000 to 22 paise per Rs 1,000.

The overall impact on property insurance rates would be marginal because catastrophic risks are one component of the policy. Also, businesses that are housed in multi-storeyed buildings and not exposed to flood might not go in for the add-on.



"Premiums under fire insurance policies have crashed over 90% since tariff restrictions were removed 10 years ago," said an official with a public sector insurance company. Property insurance in India is largely covered under the fire insurance policy, which includes risks arising out of fire, lightning, aircraft damage and explosion. Natural catastrophe covers are sold in the form of two add-ons to the fire policy. The add-ons are the 'storm, tempest, flood and inundation' cover and a separate earthquake cover. It is the rates in respect of natural catastrophes, or 'Nat Cat covers', which have increased.

## General Insurance Corporation expecting \$20-million in damage claims from Dubai flooding

It is hard to conceive of losses from floods in a desert. But that is what the country's designated national reinsurer General Insurance Corporation is facing now — a claim for \$20-million due to the floods in Dubai after a long time.



"We expect to see claims worth \$20 million in Dubai mainly from damage to property," said Alice Vaidyan, chairman and managing director, GIC Re., the reinsurer. "For the last three years we have been getting huge claims due to natural catastrophe." This is the biggest claim related to floods since 2007, when Cyclone Gonu hit the Middle East.

The reinsurer, which earns half its premium by underwriting international treaties, will review its policy to bring down losses. GIC Re is expected to touch Rs 16,000 crore in premium income by the end of the current financial year. Indian insurance companies have seen claims due to floods in Jammu and Kashmir, Cyclone Hudhud followed by Chennai floods. In the current financial year, the industry had paid Rs 5,000 crore claims due to Chennai floods. Of this, GIC Re had seen hit of Rs 1,500 crore as part of the reinsurance programme. GIC Re had posted profit of Rs 2,693 crore in 2014-15. Its gross global premium was Rs 15,183 crore and 47% of it had come from international operations.

## Assam party offers insurance to workers against poll violence

The AIUDF Lok Sabha member Maulana Badruddin Ajmal has offered its workers insurance against election related violence in Assam. All India United Democratic Front (AIUDF) leader and Lok Sabha member from Barpeta, Sirajuddin Ajmal has asked party workers to buy accidental insurance policies paying just Rs.716, which will get them Rs.2 lakh in case of any injury and Rs.5 lakh in case the insured person is killed in poll-related violence.

According to the AIUDF, there is a strong possibility of Congress and BJP workers resorting to violence during the poll, and insurance will help the families of any party workers who become victims of violence. The party member Sirajuddin Ajmal has offered to pay the Rs. 716 himself if a party worker is too poor to pay the premium.



The 126 constituencies of Assam will go to polls in two phases -- 65 constituencies on April 4 and 61 constituencies on April 11. The AIUDF has 16 legislators in the outgoing assembly. This time, the party plans to put up candidates in 60 constituencies.

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