Featured Articles

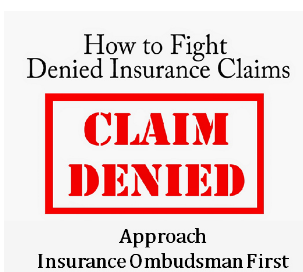
ICICI Prudential Life, HDFC Standard Life Plan to Raise Over $1 Billion in Two IPOs

Two of India's leading private-sector insurers are looking to raise over $1 billion this financial year in the sector's first initial public offerings (IPOs), as insurance companies rush to take advantage of the change in ownership rules. ICICI Prudential Life Insurance and HDFC Standard Life Insurance will likely be followed by SBI Life Insurance in reacting to a relaxation in foreign investment regulation last year making share sales more feasible.

ICICI Pru Life, a joint venture between India's ICICI Bank Ltd and Britain's Prudential PLC, is set to hire Bank of America Merrill Lynch and ICICI Securities for an IPO up to $700 million in size. HDFC Standard Life, a venture of Indian mortgage lender Housing Development Finance Corp Ltd and Britain's Standard Life PLC, will hire Citigroup, JPMorgan, Kotak Investment Banking and Morgan Stanley to handle its IPO of up to $500 million. SBI Life, a venture of State Bank of India and BNP Paribas Cardif SA [CAR.LM], could announce its intention to go public by March.

Two dozen life insurers operate in a sector dominated by state-owned Life Insurance Corp of India. Most insurers are joint ventures between local and foreign partners. The foreign ownership limit was raised to 49% from 26% in March last year, after which foreign partners raised their stakes in accordance with agreements made at the outset of many ventures. With those agreements fulfilled, venture partners are now able to sell shares to the public.

Insurance ombudsman disposes 92% cases in 2015-16



The Insurance Ombudsman of India has seen more success in disposing the grievances of the public when it comes to non-settlement of insurance claims, with the quasi-judicial body seeing a 92% clearance of cases as compared to 78% the previous year.

The drive to increase awareness — at its 17 centers in India — has picked up with faster disposal, larger settlements and no backlogs, said the insurance ombudsman's office, which handles claims in personal lines of life, motor, health, housing and personal accident insurance. The Tamil Nadu and Pondicherry office, in particular, has seen a 100% settlement of cases in last two years with 1,170 cases being disposed for the 2015-16 fiscal and 1,527 cases for 2014-15. Decisions were overwhelmingly in favour of policyholders with ruling in 69% cases in favour of complainants and only 31% in favour of the insurance company.

The insurance ombudsman was able to review 87% cases within 3 months. Only 13% of cases took over 3 months for disposal. When it came to the number of complaints, life insurance sector saw a higher number of cases being registered. There were 995 life insurance complaints versus 532 general insurance complaints.

In most cases, the insurance ombudsman was successful in convincing both parties to settle; with 902 cases being withdrawn or settled. Only for 93 cases did the ombudsman give awards.

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HDFC Ergo, L&T Gen in merger talks

Promoters of L&T General Insurance and HDFC Ergo are in merger talks. L&T General Insurance is the only private company after Reliance General to be wholly owned by Indian shareholders and HDFC Ergo is the third largest private general insurance company.

According to sources, L&T has been looking at monetizing its investment in the general insurance business for some time. The non-life company had in 2013 proposed to merge with Future Generali Insurance, which would have resulted in a three-way joint venture. The deal, however, did not go through. Subsequently, the company has been looking at bringing in a foreign partner. While it is not clear how L&T will extract value from the new three-way deal, one possibility is that German insurer Ergo, which is part of the Munich Re group, would buy some of the fresh equity created to maintain its stake at 49%.

The non-life industry has grown nearly 14% in FY16. The total revenues of the non-life industry stood at Rs 84,685 crore, of which Rs 35,090 crore was in the private sector. HDFC Ergo had reported a gross premium of Rs 3,380 crore for FY16 as against Rs 3,182 crore in the previous year. The company had reported a net profit of Rs 151 crore as compared to Rs 104 crore in the previous year. L&T General Insurance, which is a much younger insurance company, has reported a loss of Rs 68 crore for the nine months ended December 2016. For the same nine-month period, the company reported premium income of Rs 210 crore up from Rs 157 crore in the corresponding period last year.

If the merger does go through, it will end up with HDFC being a dominant shareholder. In December 2015, Ergo had announced that it would increase its stake to close to 49% from 26% through Rs 1,122-crore investment which values the company at Rs 4,900 crore.

Aviva Plc raises stake to 49% in Indian venture

Aviva Plc has acquired an additional 23% stake in Aviva Life Insurance from Dabur Invest Corp for Rs 940 crore. This was one of the foreign direct investment (FDI) proposals approved by the government on March 7. Following this acquisition, Aviva Plc's stake in the joint venture has increased to 49%.

This transaction values Aviva Life at approximately Rs 4,087 crore. The Insurance Laws (Amendment) Act, passed in 2015, now allows up to 49% FDI in insurance companies in India. Earlier, only 26% FDI was allowed in the insurance sector.

According to provisional data from the Life Insurance Council, Aviva Life saw a 42% fall in new business premium during the year 2015-16. The growth in new business premium was Rs 321 crore as on March 2016, against Rs 557 crore, as on March 2015. The number of policies sold also saw a decline of 42%, from 84,805 as of March 2015 to 49,523 as of March this year.

Quick News

Bank of Baroda, Max Bupa go for bancassurance tie-up

Bank of Baroda and Max Bupa have put in place a bancassurance corporate agency agreement. As part of the tie-up, Max Bupa will offer its comprehensive health insurance offering to the diverse customer base of Bank of Baroda across the country. In the initial phase, Max Bupa will provide simple and customizable product variants, with sum insured ranging from Rs 50,000 to Rs 1 crore, to 60 million customers of the bank.

Future Generali India Life Insurance introduces Easy Invest Online Plan

Future Generali India Life Insurance Company Limited announced the launch of its 2nd online product- Future Generali Easy Invest Online Plan, a unique online unit linked insurance plan which is extremely easy to purchase online, and offers a wide range of investment options and loyalty additions, thereby encouraging long term market linked savings for policyholders. The product is ideally suited for the online savvy investor who is looking for ease of purchase and a range of investment options. The product is offered online only and can be purchased across the country.

IRDA may allow insurance companies to buy banks' AT1 bonds

The Insurance Regulatory Development Authority of India (IRDA) was considering allowing insurers to buy hybrid additional Tier 1 bonds issued by banks, said a senior official at the IRDA. The regulator would take a final decision in a month. The regulator has no plan to ease an existing rule that restricts insurance companies from buying bonds of companies rated below "AA."
Some investors had expected the rules to be relaxed as India strives to get more investments into the infrastructure sector.

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Swiss Re announces InsurTech accelerator program in India

Swiss Re announced the launch of its first-ever corporate InsurTech accelerator to help startups develop business solutions that could revolutionize the way insurance conducts business. The accelerator is a program managed by Kyron. A number of themes identified for the program include the Internet of things (home, industrial, health and motor), Systems of engagement (innovative distribution channels and models, digital assistants/ robot advisors etc.)' and Smart analytics (across insurance value chain).

"Fintech is already disrupting the wider financial services world and is now starting to make its mark on insurance. We are seeing Fintech being used to engage with customers in novel ways: new methods of delivery, new products and new data sources will all have an impact on underwriting and our understanding of risk. Swiss Re aims to be at the heart of these changes, helping to make the world more resilient to shocks", said Jason Richards, Head P&C Business Management and Technology, Reinsurance, Swiss Re.

"We are excited about our partnership with Swiss Re to discover, mentor and accelerate high potential startups in the larger fintech space. Given NIPPs (NASSCOM Industry Partnership Program) endeavor to bridge disruptive startups with global enterprises keen to adopt Open Innovation we enable collaboration at multiple levels - M&A, Go to Market, Domain specific Mentorship, Acquihire. The InsurTech accelerator program by Swiss Re is pioneering and will go a long way in bringing Indian innovation to the global business community." Vidhya Shankar, Head - Partnerships, NASSCOM 10000 startups said.

During the program, startups will have access to the global expertise and insights from the Swiss Re team, mentors from the industry, and technical enablement to work effectively from the Swiss Re, Bangalore office. At the end of 16 weeks, the selected startups will present their learnings and achievements to our ecosystem partners, potential investors and a panel of judges.

Chandigarh's Rs. 14 Crore Jewel Heist Staged For 10 Crore Insurance, Say Police

The owners of the jewellery store where a Rs. 14 crore heist took place last week, have had a case filed against them by the police. The police say heist was staged - the motive, Rs. 10 crore insurance money. The two brothers -- Vinod and Rajnish Verma -- who own the showroom, located at the city's posh Sector 17 market, had stage-managed the entire drama, said police sources. Their relatives had staged the robbery and one of them hid the memory card of the CCTV to destroy evidence.

The robbery had taken place during the day. Two women and a man had entered the store posing as customers. They took away jewellery and cash, locking up the security guard and six staff members at gunpoint inside a room. Owner Rajesh Verma said the gang had done a dry run on Saturday, booking a ring and ostensibly coming back for it on Sunday. They had robbed the store during the second visit.

But the police got suspicious as the two owners got themselves admitted in a hospital so they could avoid questioning, an officer said. The police lodged a First Information Report against the Verma brothers. They have been accused of cheating, forgery and destruction of evidence.

Vinod Verma -- who is currently at a hospital in Panchkula -- told media that the cops were unable to arrested those involved in the loot and have pressurized the manager to turn approver in the case. His brother is also at the hospital, undergoing treatment for food poisoning.

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