Featured Articles

Insurers strive to meet e-policy deadline

Insurance companies and repositories are gearing up to meet the October 1 deadline for issuing electronic policies to those who pay Rs 10,000 or more as premium annually.

All life and motor retail policyholders would get their policies in an electronic format.

The Insurance Regulatory and Development Authority of India (IRDAI) had said, in Issuance of e-Insurance Policies Regulations 2016,that these norms would come into effect from October 1.

Electronic policies are a documentary evidence of the contract, issued and digitally signed by the insurer. Customers would have an e-insurance account. S V Ramanan, chief executive officer, CAMS Repository Services — one of the five Irdai-licensed insurance repositories — said general and health insurers who have not yet tied up with repositories are now signing agreements to issue electronic policies.

However, overall traction is low as it is the initial stage. Customer adaptability is expected to be fast. Irdai has asked every insurer soliciting business through the electronic mode to create an e-proposal form, similar to the physical proposal form approved by the authority.

Such forms should enable easy processing and servicing. The e-form will also have a provision to capture the electronic insurance account number. Several life insurance companies have tied-up with repositories; large players such as Life Insurance Corporation of India have launched their own platform.

Not ready, plead insurers on compulsory listing

Insurance companies are apprehensive about the mandatory listing proposal by the sector regulator once they have completed a certain number of years.

Insurers are sending their views through their councils (life and general), asking that this be made optional.

A discussion paper of the Insurance Regulatory and Development Authority of India (IRDAI) has proposed directions for general insurers to take steps to get their shares listed on the stock exchanges after completing eight years of operations. For life insurers, its proposed at 10 years.

When we entered the industry, we were not asked to mandatorily list after a certain number of years. In several cases, both the Indian and foreign partners are not ready for this, said the chief executive of a mid-sized private life insurer.
Irdai proposes all insurers who've exceeded the number of years of operations must get their shares listed within three years of issue of new guidelines. Of 32 companies in the life, general and reinsurance segments have completed eight to 10 years of operations but only 2 have applied for getting their shares listed.

HDFC General Ergo acquires L&T General Insurance

HDFC ERGO General Insurance said it has completed the acquisition of 100% shares of L&T General Insurance.

The private non-life insurance firm recently received necessary approvals related to the Rs 551-crore buyout from the Insurance Regulatory and Development Authority of India and the Competition Commission of India, a company release said.

Subsequent to this transaction and post regulatory approvals, L&T Insurance is proposed to be renamed as HDFC General Insurance. HDFC General will operate as a wholly-owned subsidiary of HDFC ERGO General Insurance, it added.

This is an important milestone for the insurance industry. We are excited by the great potential this merger brings to all stakeholders, Deepak Parekh, Chairman of HDFC and HDFC ERGO, said.
Ritesh Kumar, MD & CEO of HDFC ERGO, said, We would like to assure the policy holders of L&T Insurance of the continuity, highest service standards and access to the combined suite of products of both the companies. Both entities would shortly be applying to the Bombay High Court for approval of scheme of amalgamation, he added.

IRDAI extends revival option for ULIPs

In a welcome move the IRDAI, has now said that policyholders will be able to revive unit-linked insurance plans (ULIPs) even two years after the policy has lapsed. The earlier regulation insisted on payment within 90-days, following which the ULIP would lapse.

The new regulation makes ULIPs on par with traditional plans, which have always enjoyed a two-year grace period for payment. Lapsed policies are a huge cost and concern for both insurers and policyholders. For 2014-15, LIC had set aside as reserve for lapsed ULIPs unlikely to be revived at 8,221.44 crore. Private insurers like Max Life and ICICI Prudential had set aside amounts of 78.24 crore and 17.74 crore respectively.

It's a welcome move as it's in the customer's interest. The insurance industry has suggested to get this change for quite some time, which regulator has now accepted.

However, some clarification is required on treatment of funds post lock in as there is no discontinued fund (DF) concept post lockin even in 2013 regulations, said V Vishwanand, senior director and chief operations officer, Max life Insurance.

Earlier, policyholders taking a one-month long summer vacation or a sabbatical could find that their policy had lapsed in their absence from routine life.

Quick News

CEO Pushan Mahapatra says SBI General Insurance expects to grow at 35% across categories in FY17

Despite being promoted by State Bank of India, growth in SBI General Insurance is coming through branches and brokers rather than the bancassurance channel. Pushan Mahapatra, MD and CEO, in an interview said its joint venture partner Insurance Australia Group (IAG) is looking to increase its stake to 49% from 26% at present.

DHFL set to seek general insurance license

Dewan Housing Finance Corporation, a Delhi-based mortgage firm focused on smaller cities, plans to expand its footprint in insurance with a license to conduct general insurance business. We have learnt the ropes of general insurance business by being a distributor of general insurance products, said DHFL chairman Kapil Wadhawan. We are in the process of applying for a licence to carry out general insurance business. DHFL is following the likes of Edelweiss and Kotak Mahindra Bank, which are seeing growth potential amid low penetration and improved profitability.

Life Insurers' New Business Premium Up 59% In August At Rs. 14,285 Crore

Life insurance companies' business from new premium rose by 59 per cent to Rs. 14,285.20 crore in August this year. The 24 life insurers had clocked in Rs. 8,982.59 crore as new business premium during the same month a year ago. Of the total business generated from new premium in August, LIC - Country's largest and the only state-owned life insurer - garnered Rs. 10,713.55 crore,owned life insurer - garnered Rs. 10,713.55 crore,

IRDAI issues investment returns guidelines: Here's what they mean for policyholders

Unfortunately, for most of us, we look at a life insurance cover as a safe bet for investment. You meet your insurance agents and they play on your emotions and greed of saving taxes as well getting returns and insurance, thus suggesting that the best plan to buy is an endowment plan that not only provides an insurance cover but also gives an assured return on the 'investment'.

There are a few things you need to know about endowment policies before signing the dotted line. When you buy an endowment policy, your insurer keeps aside a certain amount and invests the rest in the market. However, you must know that your insurer is under no obligation to reveal what portion of your premium is being invested and what is the rate of return earned on it. You may have been promised a 5% to 6% of return (the maximum which is offered on this product) and bonuses as well, however, what you are not told by the insurer are the charges in the plan. This is because the regulator does not make it mandatory for the insurer to reveal charges in an endowment plan.

In an endowment policy, an insurer invests your money in the debt market, thus getting lower returns. Buying an endowment policy leaves you with not just an insufficient cover, it gives you very poor returns as well. If you are wondering about the bonus earned in an endowment policy, then sorry to disappoint you, but your bonuses are at the discretion of the insurer and they have been constantly going down over the years.

You should avoid getting trapped in the regular bait of assured returns, tax saving and bonuses while buying life insurance for the financial protection of your family.

First insurance IPO to open on September 19, raise Rs 6,000 crore

The first initial public offering in India's insurance sector, which opens on September 19, will also be the largest since Coal India's stake sale in 2010

ICICI Bank BSE -0.35 % plans to raise Rs 6,000 crore by selling a stake in subsidiary ICICI Prudential Life Insurance Company, valuing the insurer at Rs 48,000 crore. Over 18.13 crore shares will be available through an offer for sale, of which 10% is reserved for shareholders of ICICI Bank.

We have always articulated that over the medium to short term, we will list. We think such a large company with such a large market share in the insurance industry , in the rightness of all things, should be listed, Chanda Kochhar, managing director, ICICI Bank, said. The offer is equivalent to 12.63% of total post-paid equity share capital of the company.

Ten banks, including DSP Merrill Lynch and ICICI Securities, have been hired for the issue. ICICI Bank, which owns a 68% stake in the company, will raise Rs 6,057 crore at the top end of the price band, making it the biggest IPO in the domestic market since Coal India's stake sale in October 2010. The company's valuation has increased 50% since the previous deal.

When ICICI Bank sold a 6% stake in ICICI Prudential to Wipro BSE 0.04 % Chairman Azim Premji and the Singapore government's investment company Temasek in November last year, the company was valued at Rs 32,500 crore. Valuation is part of the markets and bankers. If you see, margins have grown. Many things have changed," said Kochhar.

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