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## IRDA issues comprehensive corporate governance guidelines

The IRDA today released comprehensive corporate governance guidelines, including a cap on the salary of CEOs and a policy on whistle blowers. The revised guidelines, which came against the backdrop of changes in the Companies Act, 2013, combine the stipulations regarding the corporate governance practices, appointment of MD / CEO / whole time director and other Key Management Positions as well as the appointment of statutory auditors of insurers. These are applicable from 2016-17 onwards, the corporate governance report said.



Insurers are well advised to put in place a whistle blower policy, where-by mechanisms exist for employees to raise concerns internally about possible irregularities, governance weaknesses, financial reporting issues or other such matters. The importance of corporate governance has received emphasis in recent times since poor governance and weak internal controls have been associated with major corporate failures. It is the insurance regulator's responsibility to protect the interests of policy holders and make sure that insurers have good governance practices in place to maintain solvency, along with sound long term investment policies and assume underwriting risks prudently.

The emergence of insurance companies as a part of large financial conglomerates has added a further dimension to sound corporate governance in the insurance sector with emphasis on overall risk management across the structure and to prevent any contagion and to ensure financial stability.

## Insurance data meet to be held in Hyderabad

Hyderabad will play host to a 2 day, annual conclave of the Insurance Information and Ratemaking Forum of Asia, from May 26, being organized by the Insurance Information Bureau (IIB) of India.

This is the first time that the body of insurance analytics and ratemaking bodies will have its conclave in India. Over 200 delegates, including those from regulatory agencies, insurance firms besides top management of insurance data bodies from the other six Asian-member countries, are expected to attend IIRFA 2016.



Briefing presspersons here on Wednesday, Bureau's Chief Executive Officer R. Raghavan said some of themes on which the deliberations would center were Ratemaking and insurance analytics, financial inclusion in insurance, and life insurance analytics and disaster management and financing. Panel discussions on fraud control using big data analytics and the internal linkages between micro-finance and micro-insurance also formed part of the conclave.

T. S. Vijayan, chairman of the Insurance Regulatory Development Authority of India and IIB, will inaugurate the conclave on May 27. Data and analytics are integral to the success of insurance companies and with the exception of Japan and Korea, other Asian countries lag behind in acquiring and assessing data. Ratemaking, which is the process of arriving at the insurance premium will also help in fraud mitigation.

## Revised IPO guidelines soon for insurance firms: IRDAI



The IRDA will soon issue revised IPO guidelines for insurers as many companies are keen to tap this route for raising capital. The total foreign investment in the sector is pegged at Rs. 15,000 crore in the last one year due to the increase in FDI limit.

Addressing a press conference, T.S. Vijayan, Chairman of IRDA, said there may be some more investments in the pipeline. On the insurance sector

business last fiscal, there was 12% growth in life insurance and 14% growth in non-life insurance, while the health insurance sector grew by 40%. He added that health insurance penetration is very low in India and there is potential for higher growth.

On regulations for IPOs by insurance companies, he said the IRDAI may bring in some changes in the guidelines for the companies wanting to dilute equity. He shared that the IRDA is working on certain changes in the existing norms for IPOs in this sector and will be ready to these in place in a month's time.

HDFC Standard Life has announced plans to launch its IPO wherein parent HDFC Ltd would sell 10% stake. Besides, ICICI Prudential also plans to launch an IPO.

## NSG team to visit India soon

India could win some mega brownie points within the country in its nuclear liability insurance regime even as it negotiates to join the Nuclear Suppliers Group, the 48 country umbrella organization that determines the rules for nuclear commerce.

GIC Re is planning to soon open a dialogue for a limited supplier's contingency policy with some of the nuclear suppliers this summer. All suppliers of nuclear machinery have so far steadfastly refused to accept such a liability as they perceive it as something that could rise to catastrophic heights of financial pay out if there is a nuclear accident. For instance the estimated liability for the Fukushima nuclear meltdown at Japan is estimated at \$200 billion.



Yet a commitment by some of the suppliers to consider taking out an insurance cover will go a long way with the current NDA government to gather public support as it accedes to the rules of the NSG regime. The invite for the talks have gone out from GIC to coincide with the fresh round of insurance commitments that a consortium of state owned insurance companies will provide the Nuclear Power Corporation of India Limited (NPCIL) for the year 2016-17. It was slated to be held in April but has been rescheduled for a bit later.

Under the Indian insurance regime NPCIL as the operator runs a capped liability of Rs 1,500 crore for any nuclear incident. The insurance charge for is backstopped by the GIC led pool which largely includes the public sector insurance companies. The liability rules are capped as per India's Civil Liability for Nuclear Damages Act or CLND.

## Quick News

### IRDAI asks Universal Sampo General Insurance's Japanese MD to step down

Playing to the Swadeshi tune, IRDAI has ordered Universal Sampo General Insurance Company's MD Taketoshi Nagaoka to step down immediately due to his foreign origin. IRDAI has also asked the current chairman ON Singh to continue as an executive till a new MD with local origin takes charge. Sampo Japan Nipponkoa, the overseas partner for the insurer, is expected to raise stake to 49% in the next two months. The local joint venture has begun management level restructuring to comply with the new foreign direct investment rules, which call for full Indian management control.

### HC for SIT probe in insurance scam case

A well organized racket comprising of policemen, doctors, advocates, officials of claim settlement courts etc. has been operating in Uttar Pradesh resulting in huge financial loss to insurance companies. This was revealed during enquiry by a Special Investigation Team (SIT) formed on the directions of the Lucknow bench of Allahabad high court. The SIT team headed by Additional Director General (Special Inquiry Cell), Chandra Prakash, reportedly made a breakthrough in cracking the syndicate and so far have registered 8 cases in which 42 accused including doctors, advocates, policemen and others have been named. Prakash said that now further investigations are on and they are trying to gather some more facts before proceeding with the arrest of the accused.

## LIC wants Axis Bank to sell its insurance policies

Life Insurance Corporation, often accused of being a passive investor, is beginning to exploit its ownership to expand its own business which is becoming intensely competitive. And the target is Axis Bank. The state-run insurer, which owns about 15% in the bank, is nudging the bank to sell insurance policies offered by it through its more than 2,500 branches, testing its existing partnership with Max Life, a top performing private insurer.



If Axis Bank begins, it would be an opening that could lead to several such tie ups in the future as a new rule permits banks to tie up with more than one insurance company. But that could be a drawback for those like Max which already have an alliance to sell their products exclusively. The insurance industry is undergoing a paradigm shift in the way it sells policies. State-run LIC, which controls more than three-fourths of the market, had built an edifice on the individual agents' platform who sell its products door-to-door. But the late private sector entrants found it difficult to break LIC's network.

Hence, some got into exclusive tie-ups with banks to sell their policies, but that blocked others from doing so. Hence, the regulator forced banks to go for as many as three bank alliances. LIC, which gets less than 5% premium income through banks, would immensely benefit if Axis agrees since banks are key growth drivers. Other insurers get as much as a quarter of their overall new premium income selling via banks. The share of banks in new business was 20.84% for the private sector industry in 2014-15, data from the insurance regulator shows.

LIC has a stake of over 10% in most public sector and private banks. Every year, it ends up increasing stake in public sector banks. LIC has an asset size of close to Rs 18 lakh crore. The country's largest institution sells insurance policies through 11 public sector banks and three private sector banks. Besides this, it has tie-up with 10 regional rural banks, 32 co-operative banks and one foreign bank.

## Health insurance schemes face hurdles

Launched with much fanfare, the Punjab government's cashless health insurance schemes for those below poverty line, small farmers and traders and the government employees and pensioners are beset with operational problems. While on one hand the big private hospitals are resisting empanelment on the pretext that they stand to lose money, those availing of the schemes claim being misled about the treatment cost and having to pay up despite the "cashless" claim.

Over 400 hospitals — all government and some private — have enrolled themselves under the Bhagat Puran Singh Sehat Bima Yojana (a Rs 50,000 health insurance cover for 22.5 lakh families of Blue Card holders, farmers and small traders) and 380 hospitals under the Punjab Government Employees and Pensioners Health Insurance Scheme. This entails a health cover of Rs 3 lakh. Though some corporate hospitals in Mohali and Ludhiana have been empaneled, they prefer to take in only those patients who have to undergo surgeries or get implants. Those coming for other ailments are turned away to government hospitals.

Chief Minister Parkash Singh Badal's random calls recently to beneficiaries who had lodged complaints revealed how they were being charged more than the rates notified. The malaise is deeper. The limit of Rs 50,000 set for availing the cashless insurance (in Bhagat Puran Singh Yojana) is increasingly being used by private hospitals just for conducting tests, and patients are being charged for treatment. Like Jagdeep Singh, a farmer in Samrala. Suffering from a heart condition, he was told that the cost of the tests alone was Rs 45,000. "They told me that the limit for cashless insurance had been exhausted in getting the tests conducted and that I would have to bear the cost of treatment. I had no option but to agree," he says.



Health Secretary Vini Mahajan admits teething problems, but reiterates that these are the biggest ever welfare schemes being rolled out, which will benefit almost 34 lakh families. Being the first year there are some shortcomings, which will be fine-tuned for next year. Certain hospitals which are overcharging have been de-empaneled. A helpline has been set up and all complaints are being regularly monitored, she adds.

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