Insurance News That You Can Use

Source : Economic Times

Rel Life premium up 195% in FY08

10 Apr, 2008, 0200 hrs IST, TNN

MUMBAI: Reliance Life Insurance has recorded a growth of over 195% in '07-08 with new business premium of Rs 2,754 crore against Rs 933 crore a year ago. The growth has come on the back of an increase in its distribution network.

The fastest growing private life insurance company added over 600 branches to its network during the year, taking the total number of branches to 744. It also added close to 80,000 agents and now has a field force of 1.75 lakh insurance salespersons.

Although industry figures are yet to be released, data released by IRDA up to February '08 shows that new life insurance business in India grew by less than 25%. This was on account of a slowdown by Life Insurance Corporation, the private sector as a whole grew by over 82%.

Speaking to ET P Nandagopal, president and CEO, Reliance Life Insurance said the promoters had earmarked Rs 2,000 crore for the life insurance business. Of this Rs 1,300 crore has already been infused as paid up capital with over Rs 600 crore coming in '07-08. "At present we require capital for funding expansion. We expect to star breaking even by the year 2010."

Despite the high growth this year the assets under management are still at around Rs 3,200 crore because of a small base. But this base is expected to jump substantially next year because most of the premium has come from regular premium policies which will result in an equal amount of renewal premium next year.

Reliance Life is also continuing on high renewals to bring down its management costs as there are no acquisition costs on renewals. "Over 88% of our new business from individuals is from regular premium policies. We expect the high renewals to bring down our cost of management down from 38% of premium to around 18-20% of the premium in '08-09," said Mr Nandagopal.

Besides its high growth, Reliance life has been the focus of industry attention because of the movement of Sam Ghosh, former head of Bajaj Allianz to Reliance Capital. Mr Ghosh is understood to be bringing in some executives from Bajaj Allianz into Reliance Life. "We plan to double our manpower base from the present level of 14,000 employees. For this we require talent from every source," said Mr Nandagopal.

Aviva's captive on sale

10 Apr, 2008, 0038 hrs IST,N Shivapriya, TNN

MUMBAI: After postponing the transfer of its build-operate-transfer (BOT) contracts with its three vendors a couple of times, Aviva Plc has finally decided to put its captive for sale to all interested bidders. The insurance major has also appointed an investment banker to take the process forward, signalling the seriousness of its intent.

After the sale of Citigroup's captive fell through, this is the second major financial services captive that is up for sale. The bids were initially open only to its three vendors, WNS Global Services, EXL Services and 24/7 Customer, said a source. By opening the bid to more players, the insurance major will be able to get a better price for the facility than if it had been restricted only to three players.

Aviva was learnt to have been exploring various options, including a sale of its facilities at Chennai, Pune and Noida to the respective vendors servicing them, before deciding on this course of action. "We have been doing a strategic review of our offshoring business but have made no decisions at this stage. The review has identified a number of viable alternatives to a captive model and we are exploring those," an Aviva spokesperson said.

"All the leading BPO players including those with integrated IT and BPO plays such as Infosys Technologies and Wipro would be interested in Aviva's operations," said an investment banker who did not want to be named. The valuation of the captive would depend on the amount of business Aviva is willing to commit to the buyer and for what duration, he said.

In all likelihood, the sale process will be as complex as the Citigroup captive, or perhaps even more. An executive close to the development attributed the complexity to one of the reasons why Aviva was taking so long for it. Aviva's operations are split between the three vendors and itself. It had earlier exercised the transfer option for two of its facilities—a 1,600-person operation in Bangalore from 24/7 Customer and a 350-person operation from WNS in Colombo, Sri Lanka.

Apollo DKV ties up with Insurancemall

9 Apr, 2008, 0000 hrs IST, TNN

MUMBAI: Apollo DKV on Tuesday announced a tie-up with Bonsai Insurance Broking, a leading Insurance broker in the general insurance segment for online insurance shopping through its website www.Insurancemall.in. The tie-up would offer customers a comprehensive solution for purchasing health insurance products over the internet.

The tie-up will provide the common man with indigenously developed 'quote-engines' to compare, choose and buy insurance online. The website also offers complete portfolio management (renewal auto-reminders to advisory) and claims assistance on policies purchased. The website endeavours to give the common insurance buyer complete power of information and decision making.

Speaking on the tie-up, Chandrasekhar, CMO, Apollo DKV, said: "Apollo DKV is putting in a concerted effort at expanding the health insurance category and making it more affordable and accessible. Partnerships like this with Bonsai Insurance Broking for purchasing online insurance reiterates our commitment towards the same and would enhance customer satisfaction."

Religare looking for non-life insurance partners

8 Apr, 2008, 1500 hrs IST, REUTERS

NEW DELHI: Financial services firm Religare Enterprises Ltd is looking for domestic and overseas partners to launch non-life insurance operations, an official said on Tuesday.

"We are interested in non-life insurance, and we are looking for partners, even overseas," said Subhrangshu Neogi, vice president of corporate communications at Religare.

He also said he expected the firm to launch its life insurance operations by July-end and begin mutual funds business by the third quarter of financial year 2008/09.

Insurance cos meet $27.6 billion bills on catastrophes in 2007
7 Apr, 2008, 1614 hrs IST, PTI

NEW DELHI: Insurance companies across the globe settled claims for $27.6 billion on natural disasters in 2007, even as 40 per cent of the property losses were insured with India figuring among the worst hit countries, says a report.

"Individuals, companies and state institutions absorbed most of the $70.6 billion in catastrophe losses in 2007. Only 40 per cent of the total losses, $27.6 billion, were insured," Swiss Reinsurance Company said in its latest report.

Swiss Re, which is world's largest reinsurance company, has presence in India's health insurance sector through a partnership with TTK Healthcare Services.

The report says that Bangladesh, China, India and Pakistan were worst catastrophe hit countries last year. Europe was worst hit in terms of property losses, while losses in the US were minor in comparison, the report said.

Of the total 21,500 people falling victim to catastrophes last year, 32 per cent were from Bangladesh and India alone. "About 6,700 people lost their lives last year in India and Bangladesh. About 14,600 died as a result of natural catastrophe, wherein about 90 per cent was due to storms and flooding."

The report revealed that in developing countries like India and Bangladesh losses were mostly due to floods, and the government had to pay compensation to the affected families as the insurance cover for natural disasters is almost non-existent.

In July-August last year, the report noted, floods in India and Bangladesh caused death of around 1,500 people and financial losses to the tune of $320 million.

Of the total financial losses of $70.6 billion incurred last year, the report found that $63.7 billion were caused by natural catastrophe and the remaining by man-made disasters.

The report also noted that the insurance cover for natural disasters went up by more than USD 10.7 billion from $ 17 billion in the previous year.

Health insurance scheme for poorer sections
6 Apr, 2008, 1658 hrs IST, PTI

NEW DELHI: The Centre is formulating a health insurance scheme for poor sections of the country which will cover the entire Below the Poverty Line (BPL) population of 30 crore.

The insurance policy is taking shape following the recommendations of the National Commission for Enterprises in the Unorganised Sector (NCEUS).

It is proposed to cover the entire BPL population of 30 crore (five crore families) in five years time, a high-level group of the Planning Commission has disclosed in a report.

It has been estimated that the premium per family would come to Rs 750, of which 75 per cent would be paid by the Central Government, the remaining 25 per cent would come from the state government.

The cost of the smart card will be borne by the Centre and the beneficiaries would need to pay only Rs 30 per annum as registration or renewal fee.

While the state governments will determine the benefits that the beneficiaries would be entitled to, the proposal is that hospitalisation expenses will take care of most common illnesses, all pre-existing diseases will be covered and transportation costs within an overall limit of Rs 1,000 will be covered, the group said.

The selection of the health insurance provider will be done by the state or implementing agency through a tendering process, it said recommending that the health insurance scheme for the BPL categories be implemented at the earliest.

Health Insuarance illegal: Islamic body
6 Apr, 2008, 1806 hrs IST, PTI

NEW DELHI: Comparing the benefits of health insurance policy to gambling, key Islamic organisations have termed the policies as "illegal" and directed Muslims to keep away from them.

At a seminar to deliberate whether insuring health was permissible under Islamic law Shariat, the Islamic Fiqh Academy (India) decided that availing such policies was illegal.

Representatives from around 300 Madrasas, including Darul Uloom Deoband, Jamiat Islami participated in the three-day meet, where they reached a conclusion that seeking insurance cover was only another form of gambling.

Health insurance schemes have turned a noble service in to a business activity, hence under Islam it is not permitted, they said.

The Academy, however said, if a person had insured himself under some legal constraints, then it was matter that could be thought over.

It also said that in such a situation, the patient should the spend the left-over amount of the claim he receives from the company on some form service to Allah.

The Ulema suggested that the community could itself organise services to help in the treatment of poor.
Insurance cos reluctant to cover foreigners' treatment cost
3 Apr, 2008, 1627 hrs IST, PTI
New Delhi: India may have taken a lead in medical tourism, but insurance companies are reluctant to cover the cost of treatment of the foreign patients, which is proving to be a major impediment in development of the sector.

"It is estimated that in 2002 as many as 150,000 medical tourists travelled to India bringing in earnings of USD 300 million," a high-level group of the Planning Commission said in a report.

According to a CII-McKinsey report, this figure would go upto USD two billion by 2012, the group said.

The Indian Government has moved to provide visa facilities for the medical tourists. The main clientele comes from the SAARC countries but an increasing number of NRIs settled in the United States and Britain have also been availing of the healthcare services in India.

There is a good prospect of patients coming from the Middle East in the future.

The main impediment for medical tourists coming from the UK and US for major surgeries is the fact that insurance companies are generally not willing to cover treatment in India, the report said.

However, the cost savings involved in getting treatment done in India is bound to result in the insurance company imposed barriers breaking down in the future.

"Already some hospitals are entering into alliance with international insurance companies for making it possible to send patients to India for treatment," it said.

GIC signs pact with German Insurance Association
3 Apr, 2008, 2240 hrs IST, PTI

MUMBAI: General Insurance Council (India) on Thursday said it has entered into an agreement with German Insurance Association to increase cooperation between two organisations.

"The non-life insurance industry is expected to achieve a higher level of penetration in the coming years. The insurers are sure to rise to the occasion through self-regulation among them," GIC's Secretary General, K N Bhandari said in a statement.

BoM quits insurance JV with Shriram Fin, Sanlam of SA

3 Apr, 2008, 0120 hrs IST, TNN

MUMBAI: Pune-based Bank of Maharashtra (BoM) has decided to walk out of the three-way general insurance joint venture (JV) with Shriram Financial and Sanlam of South Africa. Following this, Chennai-based Shriram group has raised its stake from 59% to 79% in the non-life JV insurance with Sanlam of South Africa.

Shriram and Sanlam have decided to go ahead with the venture. According to agreement between the three agreed upon in December 2006, BoM was to acquire 15%, Shriram Financial was to pick up 59% while Sanlam would have 26%. The proposed company will start with Rs 100-crore capital.

"We had differences on some terms and conditions. At the moment, we are not looking at entering into any other joint venture tie-up for non-life insurance," said BoM chairman and managing director MD Mallya.

On Wednesday, the bank informed the Bombay Stock Exchange that "the terms of the JV could not be finalised as per the bank's requirement, and hence, the bank has opted out of the said JV".

"The Shriram group has informed insurance regulator IRDA of its decision to raise its stake from 59% to 79%," said a senior IRDA official. Only last week, the IRDA board gave the first-level clearance for the non-life venture.

Sources said that key dispute was concerning the agreement drawn for the venture documents which did not predetermine the price at which the additional capital was to be raised in the future. The bank wanted to have a fair idea of capital outflow by pre-fixing the premium for fresh capital infusion.

Differences also arose, when the document indicated the price at which the foreign partners will buy back shares from Shriram (when the sector opens up), but it did not spell out the price that would be offered to the bank. There were also differences over the premium that BoM was required to pay for the venture.

According to sources, the Shriram group had made it clear that it would offer only a 15% stake to BoM.
For the Shriram group, this will be the second venture with Sanlam Group in the life segment. Shriram Life was launched in 2006. Besides life insurance, the Sanlam group operates in areas of group schemes, retirement funds, asset management and other financial services.

Currently, BoM has bancassurance tie-up with United India Insurance for distributing general insurance products. The proposed non-life JV with the Shriram group was expected to provide a good opportunity to the bank to cross-sell insurance, along with the traditional banking products.

Bank of Maharashtra in insurance tie-up with ECGC

2 Apr, 2008, 2055 hrs IST

MUMBAI: Public sector lender Bank of Maharashtra on Wednesday entered into a tie-up with Export Credit Guarantee Corporation (ECGC) of India for distribution of the latter's insurance products.

Under the agreement, the bank will act as the corporate agent of ECGC and market the export credit insurance products through its 1,375 branches, a release said here.

Bank of Maharashtra Chairman and Managing Director M D Mallya signed the agreement with ECGC Chairman and Managing Director A V Muralidharan.

Based in Mumbai, ECGC would shortly start its services in the domestic credit insurance sector, enabling exporters to insure their domestic receivables, the release said.

The Pune-headquartered bank already has insurance tie-ups with United India Insurance and Life Insurance Corporation of India and offers life insurance cover to deposit account holders and home loan borrowers, the release said.

Bank of Maharashtra opts out of insurance JV

2 Apr, 2008, 1631 hrs IST, PTI

MUMBAI: State-run Bank of Maharashtra said on Wednesday it has opted out of a proposed general insurance joint venture with Shriram Financial Services Holdings Pvt Ltd and South Africa's Sanlam Ltd.

Sanlam, South Africa's second-biggest insurer, was to hold 26 percent, Shriram's holding was to have been 59 percent while Bank of Maharashtra would have held the balance 15 percent.

The joint venture had got the preliminary nod from the Indian insurance regulator and was supposed to start operations by March.

The terms of the joint venture could not be finalised as per the bank's requirement and so it decided to opt out, the bank said in a statement.

Aegon Religare Life Insurance gets initial nod from IRDA

1 Apr, 2008, 2048 hrs IST, PTI

MUMBAI: Aegon Religare Life Insurance Company on Tuesday said that it has received the initial approval - R1 licence from the Insurance Regulatory & Development Authority (IRDA) to operate in the life insurance space.

The company is a joint venture between Aegon, a global life insurance and pension company and Religare, one of India's leading integrated financial services institutions.

The R1 licence from the IRDA is the first of the three steps in the registration process, a press release issued here said.

Aegon Religare Life Insurance CEO Rajiv Jamkhedkar said that "we hope to get the subsequent approvals soon. We are here for the long-term and we look forward to serving the interest of the Indian consumer. We have plans to start with a large footprint going well beyond the Tier-I cities across the country."

Rate war in non-life insurance set to eat into indusry's growth

1 Apr, 2008, 0127 hrs IST,Mayur Shetty & Arun Iyer, TNN

MUMBAI/BANGALORE: A bruising rate war in non-life insurance is set to eat into the industry's growth and imperil balance sheets of insurers. In the scramble to get new clients and retain the existing ones, companies are offering to cut old tariff rates by up to 75%. While discounts are squeezing margins at one end, the increase in rates by re-insurers is pushing up costs for insurers.

Although it has been a year since the tariff for fire insurance rates was dismantled, it was only in January '08 that all restrictions on prices were withdrawn. Until then, discounts were capped at just over 50% of the erstwhile tariff rates. But it took until March for a full-fledged rate war to break out because most policy terms coincide with the financial year. As a result, most of the covers come up for renewal on April 1.

"You can be sure, balance sheets of non-life insurers are going to be hit. With tariff rates, insurers were paying claims up to 40% of the premium they collect. Now, they are getting only 25% of the rates they used to get. It is a recipe for losses," said an official. "What has emboldened insurance companies is that there have not been any major losses in '07-08 — unlike the flood claims last year and the year before," he added. With the topline remaining in focus, insurers are poaching group health insurance once again.

"It is unlikely that the current state of the market will last. Ultimately, no one wants an overall loss and once insurer are finished with their topline targets, post-April 1, they will look for profits," said Prudent Insurance Brokers vice-president Pavan Dhingra. "We are telling clients to use this opportunity to re-look at their entire insurance programme from the basics and remove historical lacunae as far as possible," he said.

At the other end, GIC Re has increased the cost of reinsurance. The state-owned re-insurer has done this by reducing commissions it pays to companies for the reinsurance business they bring in. A reduction in reinsurance commissions has the effect of squeezing the margin of a non-life insurance company. The 50% reduction in rates, following the dismantling of the tariff, has already taken its toll on balance sheets of insurance companies.

Fire insurance business, which was earlier the cornerstone of corporate business, has shrunk to Rs 2,856 crore during April-December '07 from Rs 3,482 crore a year ago. Last year, fire insurance accounted for 18% of the total business. This year, the share of fire insurance has shrunk to 13.7%. Aviation insurance, which is heavily dependent on reinsurance support, has seen the premium shrink by 22% because of a soft reinsurance market.

Last year, the decline in premium, following the rate war in fire insurance, was offset by the increase in rates for motor-third party insurance. The industry also saw a healthy growth in motor insurance because of the jump in sales of two- and four-wheelers. This year, third-party rates are the same like last year. Also, auto sales have registered a slowdown. As a result, business growth in non-life insurance is only 12%.