भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

As the saying goes, "No matter what a person's past may have been, his future is spotless." You can begin pursuing your dream today!

– John C Maxwell

INSIDE THE ISSUE

Source

Insurance Industry

BSE plans to begin insurance distribution biz by year-end – The Hindu Business Line – 12th May, 2018

BSE is hopeful of rolling out its insurance distribution business by the end of 2018. According to Ashishkumar Chauhan, MD and CEO, BSE is in the process of applying to the insurance regulator IRDAI seeking necessary approvals for its venture into insurance distribution.

The stock exchange had entered into a joint venture agreement with Nasdaq-listed Ebix Inc for setting up a subsidiary company for the distribution of insurance products of life, non-life and health insurance companies. Ebix is a leading international supplier of on-demand software and e-commerce services to the insurance, financial, e-governance and healthcare industries.

While BSE and Ebix will hold 40 per cent each in the joint venture company, the rest 20 per cent will be held by individuals or companies nominated by BSE or Ebix.

"We have set up a company called BSE-Ebix Insurance Broking for the distribution of insurance products. We are in the process of applying to IRDAI seeking their approval. We hope to commence operations before the end of this calendar year," Chauhan told newspersons on the sidelines of a fintech forum organised by the Merchants' Chamber of Commerce and Industry here on Saturday.

The joint venture company will leverage the physical infrastructure of BSE and the technology platform of Ebix, he said. BSE has a network of close to 2 lakh outlets across 3,000 towns and cities.

According to Chauhan, the exchange has been largely focusing more on 'speculation' rather than investment products over the last 20 years. However, its success with the distribution of mutual fund schemes, which it started in 2010, has encouraged it to look at the distribution of other financial products.

Currently nearly 20 per cent of the investments flowing into mutual funds are routed through the bourse. "Close to 40 per cent of the new or fresh investments flowing into mutual funds are coming in through our platform," he said.

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Data analytics: The survival tool for insurers – Financial Express – 15th May, 2018

Insurance companies cater to a very large number of customers and every time they enter into a contract they collect plethora of data from customers. Collectively the sector has grown into a huge repository of data. In the current era when all businesses are looking at mining data for creating new business opportunities, insurers are in a more comfortable position because a lot of relevant data is already in their possession. They can analyse data in their possession for designing products for specific segments of customers with more attractive pricing.
Rationalising the premium rate

Currently, life insurance underwriters impose extra premium on customers who are smokers or habitual drinkers. However, they do not have the discretion to reduce premium below the standard rate even if a proposer does not smoke or drink at all and stays in a pollution-free locality. This aspect of underwriting should be subjected to rigorous data analysis and the findings may be the basis for rationalising premiums.

Similarly, data emanating from the healthcare industry can be a game changer for life as well non-life insurers in respect of term, endowment and health insurance. The number of traditional buckets in which insurers segment their customers can be increased by using modern tools of data analysis for more precise and predicted analysis which may influence pricing substantially. The actuaries who evaluate risk for the insurers need to be receptive to the new possibilities of gathering and analysing data for making more precise forecasts.

The theory of probability which has been the basis of actuarial assumptions is open to fine-tuning today for designing more attractive and even economical products for specific customer segments. Today, insurers need not hesitate to adopt a transformational approach outside the framework of traditional risk assessment methods. Such initiatives may lead to higher revenue generation for the insurers and a more satisfying experience for the customers. The scenario points to the fact that the insurers have been trying to serve the customers of the digital era with tools not capable of generating value for the customers as well as for themselves by ignoring insights that data analytics can provide.

Persistency of policy sold

On the other hand, insurers face a big challenge in respect of persistency of policy sold every year. Persistency is the continuation of the policy into the second year after 13 months of its commencement. For some companies, the rate of persistency is as poor as 30-35% by the end of five years. Such poor conservation of business is a result of several factors, including mis-selling and poor customer engagement. Again, such data vary on the basis of channel of distribution. A policy sold through the bancassurance channel has short shelf life compared to policies sold through professionals in the agency channel. There could be many more factors influencing persistency of policy such as rate of bonus, redundancy of the very purpose of taking a policy following changes in the tax laws or in life stage.

The data available with life insurers can generate very interesting information on customer's choice, habits and aspirations. However, very few companies have made serious efforts to study its own data for expanding business or benefiting the customers. The Insurance Information Bureau, the data management arm of Irdai, has not undertaken any serious steps towards data analytics. Unfortunately, every study of data is meant for determining the potentiality in the market or for identifying the underserved or unserved population segment.

Rate of bonus is low

No benefit accrues to those who earlier contributed to the growth of the industry through their hard earned money. In spite of much better experience in respect of rate of mortality compared to the scenario existing 25-30 years back, the rate of bonus being declared for participating policies is awfully low. During 80's and 90's, LIC used to declare bonus ranging from Rs 60 to Rs 80 per thousand sum assured for endowment policies but today leading life insurers declare Rs 30-40 per thousand sum assured.

The industry may face a backlash from customers if it does not wake up. Objective data analysis has become important. The vast potentiality available in the market may not guarantee growth forever. Any disruptive development in the financial sector may rob insurers of their business, perhaps without insights about the future scenario.

Source

Back

Srei Infra to open more Sahaj e-Village centres – The Hindu Business Line – 15th May, 2018

Evolving from a G2C (government to consumer) service provider to one offering a host of financial and non-financial services, Sahaj e-Village, an initiative of Srei Infrastructure Finance, is now on expansion mode. Now, there are close to 75,000 Sahaj centres.

According to Hemant Kanoria, Chairman and Managing Director, Srei Infra, plans are afoot to take this number to two lakh in the next two years.

A majority of these new centres will come up in semi-urban areas as against its present practice of being present in rural areas only.

Sahaj, which operates through village-level entrepreneurs and common service centres, has leveraged its network to offer services, including physical retailing of consumables, selling financial services — banking and insurance products — through banking correspondents, and e-training and skill development.

"We started about 10 years ago and Sahaj's business model was probably ahead of its time. The awareness on digitisation happened post demonetisation, which helped Sahaj," Kanoria told Business Line.

Sahaj, which had been struggling as the government business came in 'fits and starts', has evolved over time. "Government guidelines keep changing. But our model is now commercially viable," he said.

Even while Kanoria plans to expand Sahaj's scope of business, he is also open to the idea of "unlocking the value of its investments" (in Sahaj) through a stake dilution, during this fiscal.

"When our initiatives attain a certain scale and maturity, we harvest the investments through stake dilution. For Sahaj, too, we will follow this philosophy. We will look for all attractive investments in Sahaj this year," he said.

Kanoria, however, refused to set any target in terms of valuation for the possible stake sale.

Growth in core areas

Srei Infrastructure, Kanoria said, will continue to expand and focus on its core equipment financing business.

There has been a rise in equipment sales thanks to the increased investments in roads, irrigation and mining by the government.

This has helped boost its equipment finance business.

Srei has presence in most areas of infrastructure equipment financing business, from construction and mining gear to agriculture, healthcare and IT equipment.

"Our group will continue to focus on roads, power, SEZs, and other sub-sectors of the infrastructure industry. We will continue to have a well-diversified portfolio on infrastructure projects," he said.

On the project financing front, Srei has been focusing more on providing structured finance now, particularly for brownfield projects.

Source

The company, which has been able to curtail a rise in non-performing assets in FY'18, hopes to reduce further to around 1.25-1.5 per cent by this fiscal year-end.

Back

M&A activity hots up in insurance sector – Financial Chronicle – 17th May, 2018

The insurance sector is in the thick of M&A activity. Companies that are seeing hectic mergers & acquisitions (M&A) bids include Star Health & Allied Insurance Co, IDBI Federal Life Insurance Co, Royal Sundaram General Insurance Co and Policybazaar Insurance Web Aggregator.

The insurers have been in discussions with various suitors for months now but no deals have yet been sewn up as the companies are seemingly waiting for better valuations considering their future growth potential.

Private insurance companies have been clocking good growth in the past few years and the outlook too is bright for the sector, with fresh money coming into many of the companies from the foreign partners after government relaxed the FDI norms in February 2016, allowing foreign investment of up to 49 per cent through the automatic route.

"Both life and non-life sectors have a good number of players and many have the strong backing from their foreign partners. It is not easy for a company to start fresh, get licence and build an entity. Hence, we see a rush to grab whatever is put up for sales. We have seen investors looking for stake in insurance companies earlier also. But this time we are seeing many discussions steadily progressing towards a fruitful completion," said Sanjay Pande, executive director, Finsall Networks, an insurance consulting firm.

With several entities coming forward to take over Chennai-based Star Health, the company is keen to wrap up a deal in a month's time. "There are a few bidders. We will have to evaluate the bids and by a month's time the picture will be clearer," V Jagannathan, chairman and managing director of Star Health, told Financial Chronicle.

The promoters and investors had put up the company for sale a few months back and Kotak Mahindra Bank is overseeing the sale process. The promoters and investors are interested in selling the entire stake in the company and welcome a new set of investors. Star Health has secured a significant position in the health insurance segment, but has no foreign partner. Around 12 bidders have showed interest in buying stake in the company. This includes ICICI Lombard, WestBridge Capital and Prudential. Media reports have suggested that ICICI Lombard has made a Rs 6,500-crore bid for the company and West-Bridge Capital, together with ace investor Rakesh Jhunjhunwala, was also trying to put in a matching bid.

Jagannathan owns 3.5 per cent stake in the company while Sequoia Capital, ICICI Venture, Tata Capital Apis and Oman Insurance Company together own about 70 per cent. The remaining stake is held by Dubai-based ETA Trading.

"Star Health's books have become much healthier in recent times. It has de-risked the business by focusing on retail insurance. The government-sponsored health schemes have been weighing heavily on the books earlier," said Pande.

Similarly, IDBI Federal Life, which is put up for sale by parent IDBI Bank, has the advantage of a strong bancassurance channel. IDBI Bank owns 48 per cent stake in the company. IDBI bank has been put on prompt corrective action (PCA) by RBI due to its rising bad loans and negative returns on assets. Tata AIA Life Insurance, Kotak Mahindra Life Insurance, Aditya Birla Sun Life Insurance and Exide Life Insurance have shown interest in bidding for the company. As per sources, a decision on the successful bidder will be taken by May 31 and in case the decision gets extended, it would not go beyond June 30 as per the mandate given to the merchant bankers. The other two partners, Federal Bank and Belgian life insurer Ageas would take a decision on stake sales if they arrive at the right prices, sources said. Partners want the embedded value derived out of its distribution channel to be considered to arrive at the pricing.

In the general insurance space, Royal Sundaram has received a bid from private equity firm True North for purchase of 40 per cent stake. Multiples Asset Management of Goldman Sachs too is eying share in Royal Sundaram.

While most of the insurance companies saw the foreign partners increasing stake, Sundaram Finance had bought back the entire 26 per cent equity stake held by UK-based Royal & Sun Alliance Insurance (RSA) in the insurance company in 2016. Hence, the company is interested in parting with part of the stake to raise funds. The companies are also bouyed by the good responses some of the leading insurance players received for their IPO.

Source

There are reports that Japan's Softbank Group is keen to invest in India's insurance sector and has struck a deal to invest in $200 million in Policy Bazaar, but no official confirmation of this is available.

Back

Life Insurance

Centre moves to offer free insurance, pension for construction workers – The Hindu Business Line – 16th May, 2018

The Centre has proposed free insurance cover for building and construction workers. A draft Model Welfare Scheme, prepared by the Labour Ministry, also plans to offer a scholarship for the children of the workers. According to the National Sample Survey (2011-12), there are about 5.02 crore construction workers in the country. As of December 31, 2017, over 2.86 crore workers are registered with States and Union Territories through their State Building and Other Construction Workers' Welfare Boards.

The welfare scheme also has provisions for health and maternity cover, housing and skill development.

The draft has been prepared following a Supreme Court directive earlier this month. The Ministry has sought suggestions/comments on the draft before May 21. Based on the suggestions, a government-appointed committee will give final shape to the scheme.

Insurance cover

The government currently has two major insurance schemes: The Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) for life cover, and the Pradhan Mantri Suraksha Bima Yojana (PMSBY) for accident cover. Under the

PMJJBY, one can get life insurance cover worth ₹2 lakh at ₹ 330 a year, while the PMSBY provides accident cover worth ₹2 lakh at ₹12 a year.

It means one has to pay ₹342 a year to have both the covers. Now, it is proposed that 50 per cent of the total contribution, that is, ₹171 a year, will be paid by the State Welfare Boards and the remaining by the Centre. Health and maternity scheme proposes hospital expenses up to ₹ 5 lakh to be borne by the Welfare Boards. This can be done directly or through insurance companies, as determined by the National Health Protection Scheme. There will be a reimbursement of expenses to up to ₹ 2 lakh for serious diseases such as cancer and renal failure. For women construction, minimum wages for 26 weeks will be provided for up to two pregnancies and for wives of construction workers, medical expenses up to a certain limit may be provided by the State Welfare Boards. A scholarship of ₹3,000 per year will be provided for two children of in classes IX to XII, and up to ₹12,000 per year for those doing graduation, a course in an IIT, and pursuing vocational or professional courses.

Pension and other benefits

The scheme proposes ₹1,000 a month pension to workers reaching 60. Workers registered with the State Welfare Boards for at least five years will be eligible for this.
States and Union Territories collect a cess of one per cent of the cost of construction under the Building and Other Construction Workers' Welfare Cess Act, 1996. The mop-up till December 31, 2017 was ₹39,152.327 crore. Of that, only ₹10,123 crore has been spent. It means States and Union Territories can meet various obligations of the proposed scheme through the cess while the Centre can enhance the budget allocation.

Source

Back

General Insurance

Finance Ministry to select CMDs for three general insurance firms – The Indian Express – 18th May, 2018

After a delay, the finance ministry conducted the interviews of ten candidates on Thursday to select the new chairman and managing directors of three public general insurance firms — New India Assurance (NIA). National Insurance Company (NIC) and United India Insurance (UII).

The search for CMDs is an indication that the merger of these insurers (NIA, UII and Oriental Insurance) is unlikely to happen in the current financial year.

While the post of CMD at NIC has fallen vacant as K Sanat Kumar retired in April, both the posts at UII and NIA will fall vacant when MN Sarma and G Srinivasan retire in May-end and July-end, respectively.

The MOF short-listed 10 names: Hemant G Rokade, general manager & director, NIA, three senior most GMs of Delhi-based Agriculture Insurance Company (AIC) — Malay K Poddar, Rajeev Chaudhry, Avinanda Ghosh — Dinesh Waghela, GM of GIC Re, Siddharth Pradhan, GM of NIA, Girish Radhakrishnan, GM of NIA, Atul Sahai,GM of Oriental Insurance Company (OIC), Tajinder Mukherjee, GM of NIA and SN Rajeswari, GM of NIA.

Pradhan will be interviewed for the posts of CMD at NIC and UII while rest of the candidates will be considered for all the three posts. Pradhan qualifies for the interview of only two CMD posts as he is falling short of mandatory condition of "two years of residual services" when the vacancy of CMD at NIA will happen.

The MoF's move to fill up the posts of CMDs at NIC and UII, two of the merging companies out of the three — third being the Oriental Insurance Company — to create a new general insurance behemoth has once again the kept the industry guessing about the deadline for the mega merger that is supposed to be completed by the year end.

AV Girija Kumar, the current CMD of OIC, who will be retiring in July 2020, will most probably be heading the merged firm. All the candidates who will be appearing for the interview, has residual services of more than two years and if the merger of the three companies happens within the time-frame that the government indicated, the new CMDs of NIC and UII have to be given new postings after the merger.

In fact, Debasish Panda, additional secretary, Insurance, MoF, in his last meeting with the three CMDs of merging companies on April 23, had said that the government was keen to complete the merger by November 2018.

Earlier, the MoF had promoted 16 senior officials of the PSU general insurers as general managers, a fairly large number, considering the fact that three of the firms were expected to merge soon and the merged entity may not need such a large number of GMs. Several of the GMs have residual services of more than two years.

Meanwhile, John Pulinthanam, Director and GM and BN Narsimhan, Director and GM, NIC, have been jointly asked to discharge the responsibility of CMD of NIC for three months.

The next round top level vacancies in the industry will now happen in 2019 when Alice Vaidyan, CMD, GIC Re, PJ Joseph, member, IRDAI retire in July 2019 and January 2019, repectively. However, state-run Life Insurance Corporation(LIC) will see a series of retirements from September onwards including Usha Sangwan, MD, LIC, who will be retiring in September 2018 and VK Sharma, chairman, retiring in December 2018 and other three existing MDs following them.

There are six senior officials of the corporation, having more than two years of residual services, who will be competing for the top posts of the life insurance behemoth. They include Ganesh Kumar (October 2020), Bipin Anand (July 2021), T Sushil Kumar, Mukesh Gupta (September 2020) and Raj Kumar (2022). The person, who will be succeeding Sangwan, stands a fair chance of becoming the chairman of LIC when Sharma demits office in December, source said.

Source

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Insurance cover to gems and jewellery export credit cut – Financial Chronicle – 17th May, 2018

Finding the gems and jewellery industry risky post the PNB scam, the Export Credit Guarantee Corporation (ECGC) has brought down the insurance cover on the exports by the industry to 50 per cent. For the past five years, the sector has been registering the highest claims ratio.

Prior to 2013-14, ECGC has been providing over 75 per cent credit cover to gems and jewellery exports as any other industry. In the past five years, ECGC has been finding that the sector has been making the highest claims ratio.

Several big companies have been defaulting on the credit and of late the Punjab National Bank scam involving Nirav Modi and Mehul Choksi's firms has made the Export Credit Guarantee Corporation go light on providing cover to gems and jewellery exports. In the past six months, the cover has come down from 65 per cent to 50 per cent.

"Only some of the older companies, which have been getting the cover for several years, are now able to secure insurance from ECGC. They are not providing the cover to relatively newer companies. We have taken up the issue with both ECGC and the banks and are expecting a resolution to the issue," said Colin Shah, vice-chairman, Gems and Jewellery Export Promotion Council.

However, ECGC officials said the sector has become riskier for the company and it has been eroding the profitability.

According to an industry insider, earlier ECGC used to insist on whole turnover cover while insuring the credit of any exporter. However, exporters have been selective in getting cover. They would not pay premium or get cover for less risky exports to known, genuine clients. However, when it would come to riskier exports, they would seek ECGC cover. This was increasing the risk of the ECGC and leading to higher claims ratio.

Without proper risk cover, banks are also reluctant to finance the gems and jewellery industry, which already is finding it difficult to procure finance post the PNB fraud.

Source

Back

Now get adventure sports covered under overseas travel insurance policy - The Economic Times – 16th May, 2018

The good run for general insurance industry continues with soaring business. Insurers like Prem Watsa-backed Digit have started covering adventure sports under the overseas travel insurance policy, which were a no-go area due to lack of adequate risk planning. Scuba diving and other adventure sports for overseas tourists are the latest growth areas.

“We understood that there is a real need to add adventure sports,” said Kamesh Goyal, chairman, Digit Insurance. “Medical costs arising out of injuries doing sports like bungee jumping, rides in amusement parks, scuba diving and para sailing are all covered under our overseas travel insurance plan.”

Unlike other insurers, Digit does not ask for bills and most covers are benefit covers. The company has settled 500 claims in a short time. Digit started designing products with Cleartrip. The travel insurance from Digit sends SMS about the delay in travel and pay for delay beyond 60-75 minutes. Also, baggage loss cover pays a fixed amount of Rs 20,000.

Most policies cover flight delay of six hours and beyond. “In the past four-five years, less than 0.1% flight was delayed beyond 5 hours. To claim loss of baggage, the customer needs to give the invoices of all items in the bag. The claim ratio is less than 1% under travel insurance,” said Jasleen Kohli, chief distribution officer, Digit.

Generally, overseas travel insurance covers risks like flight delay and cancellations, loss of baggage. It offers cover from a number of contingencies, including repatriation or evacuation to India, loss of travel document and coverage for hijack distress.

“The product evolves over a period of time. Earlier, the product covered medical expenses but gradually companies have started covering flight delay, loss of baggage and personal liability,” said Anurag Rustogi, HDFC Ergo. Of late, companies have started covering flight cancellation and alternate arrangements.

“Most companies are not covering adventure sports,” said Rustogi. “There will be niche group of customers who would be willing to buy. We do a focused group discussion and find out what to cover.” Travel insurance industry is a part of health insurance and data is aggregated with health insurance number, which is one-third of the market. The major coverage that gets utilised is medical expenses.

Source

Back

Damages for road accident victims to increase 10-fold - The Economic Times – 12th May, 2018

The government has decided on a ten-fold increase in the minimum compensation payable to road accident victims or their kin in case of death, permanent disability or minor injury irrespective of their income and age criteria. While revising this after a gap of 24 years, the transport ministry, however, has left the option for people to pursue their case in the Motor Accident Claims Tribunal (MACT) if they believe they deserve higher compensation.

As per the new norms, to be notified soon, in case of a fatality in road accident the compensation will be Rs 5 lakh and for permanent disability it will be in the range of Rs 50,000 to Rs 5 lakh based on the extent of disability. This will increase by 5 per cent annually. This is being pushed as a move to provide quick relief to a large section of victims. Annually, 1.5 lakh people die while more than 5 lakh get injured in road accidents.

The higher compensation may also entail an increase in the third party premium outgo for vehicle owners.

Currently, the Motor Vehicles Act provides for Rs 50,000 compensation in case of death and Rs 25,000 for permanent disability as per the "no-fault liability" norm where the victim does not have to prove the negligence of the motor vehicle driver. This is binding on insurance firms. However, no victim accepts this and hence all cases go to the MACT.

In this case, the compensation is paid based on a structured formula under Schedule-II of the Act, which takes into consideration the age, income and number of dependants of the victim. Here, the victim has to establish the fault of the driver to get compensation. Though the MV Act provided for amending this structured formula from "time to time" keeping in view the increased cost of living, it was never revised.

The transport ministry while deciding the fixed compensation under Schedule-II of MV Act considered the average claims paid for death for 2011-12 to 2015-16 by the MACT ranged between Rs 3 lakh and Rs 4.9 lakh.

"The idea behind this move is to reduce the number of litigation in majority of the cases. Those who want higher compensation can take the legal route, which takes time," said an official.

Source

Back

Health Insurance

Mega cashless healthcare plan for poor – The Tribune – 14th May, 2018

Union Health and Family Welfare Minister JP Nadda on Monday said 1,392 procedures and treatment protocols had been identified under the Ayushman Bharat Pradhan Mantri Rashtriya Swasthya Suraksha Mission. It would help reduce the burden of life-threatening diseases through early detection.

He was speaking at the MoU signing ceremony between the Centre and five state for the health scheme here. He later inaugurated a national workshop on "Risk Communication during Public Health Emergencies."

The MoU was signed by Himachal Pradesh, Haryana, Uttarakhand, Jammu and Kashmir and Chandigarh. It will ensure cashless and paperless health cover of Rs 5 lakh to 50 crore people across the country. Even though Punjab Health Minister Brahm Mohindra was there, he refused to sign it.

Nadda said a meeting of the National Health Council would be held shortly so that issues concerning quality healthcare for the poor could be addressed. "Such a gigantic health programme could have been provided by none other than Prime Minister Narendra Modi only," he said.

"The thrust of the Modi regime is to ensure preventive rather than curative treatment which will reduce the disease burden drastically," said Nadda. He added that the thrust would be on early diagnosis of diseases and everyone above the age of 30 years would undergo universal health checkup for various diseases like diabetes, hypertension, cardiac, cervix and breast cancer among women, oral cancer, dental and eye care.

Hospitals had been empanelled to treat patients and since money would be directly deposited to the hospital accounts, IT companies had been engaged to ensure its smooth implementation. Nadda revealed that there are 1.50 lakh sub-centres in the country which would be converted from mother-child care centres to wellness centres.

Chief Minister Jai Ram Thakur said Himachal had six government medical colleges and it had been decided to establish a medical university for their effective management. He said the Centre had sanctioned an AIIMS for Himachal which would come up at Kothipura in Bilaspur district. He said the Union Government had sanctioned Rs 1,351 crore for AIIMS.

Chief Minister of Uttrakhand TS Rawat said Himachal Pradesh and Uttarakhand share similar topography and geographical conditions and providing healthcare facilities to patients in the remote areas were challenging. He said for this, all big hospitals were being developed as e-hospitals.

Source

Health and Family Welfare Minister of Jammu and Kashmir Dr Davinder Kumar Maniyal were also present.

Back

Regulations

House panel to examine 'bail in' clause of FRDI Bill, to meet today - The Economic Times – 14th May, 2018

The Parliamentary Joint Committee will examine the controversial 'bail in' clause of the Financial Resolution and Deposit Insurance (FRDI) Bill, 2017 in the light of concerns being raised over the security of bank deposits and panic withdrawal of cash by depositors over the last few months.

Highly placed sources who are privy to the workings of the joint committee told ET that the issue will be examined closely even though the government may have issued a clarification on the same. The committee is set to hold its tenth meeting on Monday.

The FRDI Bill was referred to a joint committee of the Parliament which is consulting all the stakeholders on the provisions of the FRDI Bill. The committee has been asked to submit its report to Parliament by the last day of the Monsoon Session, 2018.

Sources, however, indicated that the committee is unlikely to finalise its recommendations before the winter session as complete political consensus is yet to be achieved on many concerns. The committee has already sought two extensions of time but ET has learnt it is likely to take longer to address all concerns related to the Bill.

The committee in its nine meetings has already heard out the representatives and officials of various stakeholder ministries, RBI, Competition Commission of India, Central Bureau of Investigation, Enforcement Directorate, the various chambers of industry and commerce, and banking associations, among others. Small Industries Development Bank of India (SIDBI) and Institute of Chartered Accountants of India are expected to submit their representations to the committee on May 14.

The FRDI Bill was introduced in the Lok Sabha on August 10, 2017 by the Modi government in a bid to establish a resolution corporation and a comprehensive resolution regime to enable timely and orderly resolution of a failing financial firm. The move, the government has stated, is being made as there is no comprehensive legal framework for resolution and liquidation of financial firms in India.

The FRDI Bill proposes to establish a resolution corporation and a comprehensive resolution regime to enable timely and orderly resolution of a failing financial firm.

FRDI Bill also introduces a menu of resolution tools, including transfer of whole or parts of the assets and liabilities of a financial firm to another person, acquisition, merger or amalgamation, bridge service provider, and bailin, and mandates recovery and resolution planning obligations to enable careful monitoring of risk to viability of a financial firm.

It is, however, Clause no 52 or the 'bail in' clause that has set in panic among bank depositors.

There have been fears that the depositors' money could be used to bail-in banks and that has sparked off a round of sudden withdrawals in various parts of the country. The situation even caused the intervention of the Prime Minister and the Finance Minister who have clarified on the subject and said additional protection would in fact be brought in by way of the FRDI Bill.

"Bail in has been proposed as one of the resolution tools in the event a financial firm is sought to be sustained by resolution. Certain misgivings have been expressed in the media, especially social media, regarding the depositor protection in the context of 'bail-in' provisions of the FRDI Bill. These misgivings are entirely misplaced. The government always stands ready to take care of the capital needs of the public sector banks. Bail-in amounts to liabilities' holders bearing a part of the cost of resolution by reduction in their claims. Bail-in is only one of many resolution tools in the FRDI Bill; others are acquisition, merger and bridge service provider, and is to be used either singly or in combination with other tools. Bail in provision may not be required to be used in case of any specific resolution Most certainly, it will not be used in case of a public sector bank as such a contingency is not likely to arise," a statement issued by the finance ministry in January this year said.

Source

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Circulars

Updated list of TPAs as on 15th May 2018

Source

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Global

Saudi Arabia:Insurers set up claims centres designated for women only – AIR – 13th May, 2018

Insurance companies have started to prepare new motor claims centres that will be designated for women.
This is taking place at a time when Saudi Arabia is getting ready to implement the government's decision to allow women to drive, which will take effect at the end of June, reports Asharq Al Awsat.

The decision to allow women to drive is expected to give a boost to the domestic insurance market which will witness an increase in insurance demand. Motor insurance currently contributes a third of insurance market.

Meanwhile, there are plans by Najm Insurance Services (Najm) for qualified Saudi women to work as insurance inspectors of traffic accidents in towns across the country.

Source

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