



***PwC's Insurance Insights***  
Analysis of regulatory changes and  
impact assessment for July 2017



July was an eventful month for the Indian economy in general and for the insurance industry in particular. Some of the key highlights for this month are presented below:

- The Goods and Services Tax (GST) was introduced in India on 1 July 2017. It is applicable throughout India and replaces multiple cascading taxes levied by the central and state governments. GST is expected to boost economic activity in the country in the medium to long term. The tax rate applicable on insurance products under the earlier tax regime was 15% (14% Service Tax + 0.5% Swachh Bharat Cess + 0.5% Krishi Kalyan Cess). However, under GST, only one taxation rate will be applicable to the insurance industry, which is 18%.<sup>1</sup>
- State-owned insurance firms such as the General Insurance Corporation of India (GIC Re) and New India Assurance Co. Ltd are set to file their initial share-sale prospectuses in August 2017. SBI Life Insurance Co. Ltd has also filed the draft red herring prospectus for its initial public offering (IPO). The SBI Life IPO is expected to raise around 6,000–7,000 crore INR.<sup>2</sup>
- HDFC Standard Life Insurance Co. Ltd and Max Life Insurance Co. Ltd have called off their proposed merger after failing to win regulatory approval for a union that would have created an insurance giant with 1.1 trillion INR in assets.<sup>3</sup>



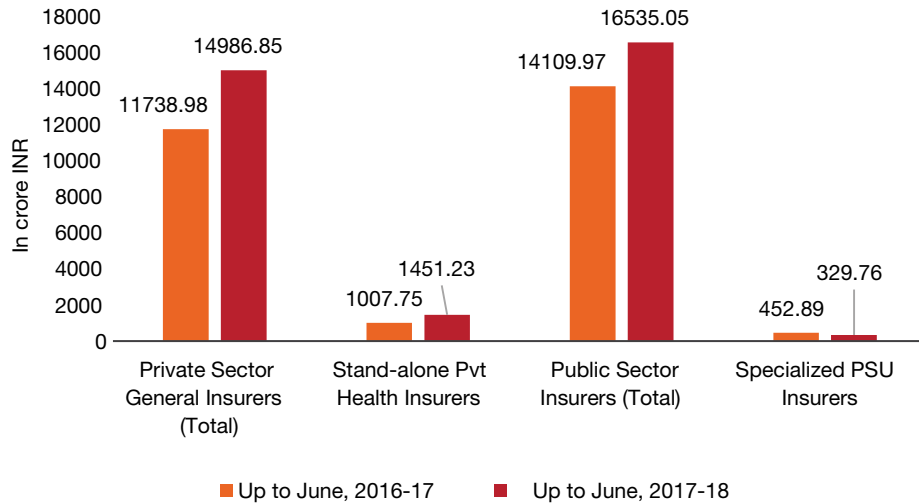
<sup>1</sup> Moneycontrol. (20 May 2017). GST: Rate shocker for insurance sector, premiums may go up 3%. Retrieved from <http://www.moneycontrol.com/news/business/economy/gst-rate-shocker-for-insurance-sector-premiums-may-go-up-3-2284323.html> (last accessed on 4 Aug 2017)

<sup>2</sup> Dhanjal, S. S. (27 July 2017). New India Assurance, GIC set to file for IPO in next three weeks. Livemint. Retrieved from <http://www.livemint.com/Industry/Whtu89IBu1oWafz85X9BMN/New-India-Assurance-GIC-set-to-file-for-IPO-in-next-three-w.html> (last accessed on 4 Aug 2017)

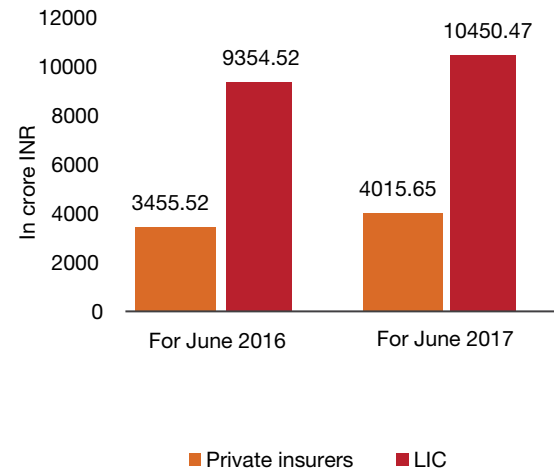
<sup>3</sup> Staff writer. (1 Aug 2017). HDFC Standard Life, Max Life call off merger of insurance business. Retrieved from <https://in.peopleread.net/post/988985-hdfc-standard-life-max-life-call-off-merger-of-insurance-business> (last accessed on 4 Aug 2017)

- A snapshot of premium underwritten across general, life and health insurance is presented below.

Gross direct premium underwritten



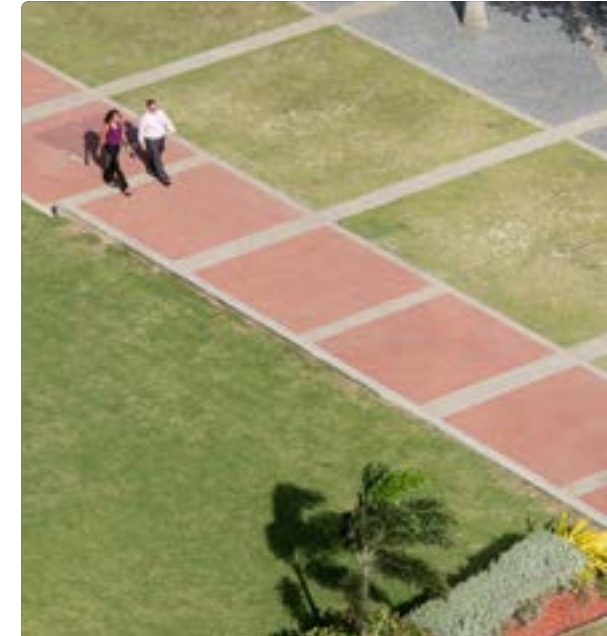
First-year premium of life insurers



Source: NURC MediaNext Pvt Ltd and PwC analysis

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Gross direct premiums for private sector general insurers have risen by 22%; those for standalone private health insurers, by 31%; and those for public sector insurers, by 15%. In contrast, gross direct premiums for specialised public sector undertaking (PSU) insurers have dropped by 27%. Further, the life insurance premiums of private insurers and LIC rose by 14% and 11% respectively from June 2016 to June 2017. Given the strong growth shown by the Indian insurance industry in June, rating agencies expect the industry to continue to grow at an average rate of 8–15%.



## IRDAI (Protection of Policyholders' Interests) Regulations, 2017

Date of issue: 06 July 2017

Ref no: F. No. IRDAI/Reg/8/145/2017

### **Introduction:**

This regulation notifies insurance companies of IRDAI's regulations that need to be followed in the interest of policyholders.

### **Background and objective**

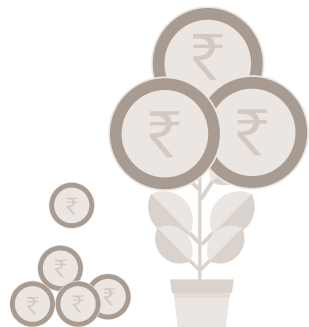
- To ensure that insurers follow IRDAI's regulations in order to protect the interests of policyholders
- To follow a uniform framework

### **Impact on insurers**

A) Every insurer shall have in place a board-approved policy for the protection of policyholders' interests.

B) Point of sale

- I. The prospectus of any insurance product shall clearly state the complete product features, warranties, exceptions and conditions to product, the allowable riders, its premium and benefit.
- II. An insurer or its agent or other intermediary shall provide all material information in respect of a proposed cover to the prospect to enable the prospect to decide on the cover that will be best suited to his/her interest.
- III. Where the prospect depends upon the advice of the insurer or his agent or an insurance intermediary, such a person must advise the prospect dispassionately.
- IV. The insurers shall ensure that a sale executed over distance-marketing modes such as the Internet, SMS, telemarketing and interactive electronic media shall be undertaken by authorised and qualified salespersons who are specified in this capacity by the Authority. It is mandatory that the consent of the prospect be obtained before canvassing.



## C) Products on offer/products withdrawn

Every insurer shall place on his/her website the terms and conditions of every insurance product that he/she offers, including products modified or products withdrawn and the unique identification numbers (UINs) allotted to them by the Authority.

## D) Matters to be stated in life insurance, general insurance and health insurance policy

All life insurance, general insurance and health insurance policies shall include the required and mandatory disclosures pertaining to the policies; for example, the nature of product, sum assured and the period of cover.

## E) General principles governing the issuance of general and health insurance policies

In stipulating the exclusions of the policy, insurers shall endeavour to classify the exclusions and also endeavour to broadly categorise policy conditions as per the details mentioned in the circular.

## F) Grievance redressal procedure

Every insurer shall have in place proper procedures and effective mechanisms to resolve complaints and grievances of policyholders and claimants quickly in accordance with the grievance redressal procedure.



## Submission of data to Insurance Information Bureau of India (IIBI)

Date of issue: 28 July 2017 Ref no: IRDA/SDD/CIR/MISC/175/07/2017

### *Implications for insurers*

In view of the feedback from the industry as well as the IIBI, it was decided to re-examine the existing formats of motor, health and other lines of business (OLB) segments so as to meet emerging analytical requirements. The revised formats for these segments have been finalised and are hosted on the IRDAI and IIBI websites.

### *Mandatory compliance*

General insurers, including standalone health insurers, have to submit their data to the IIBI, as per the revised formats w.e.f. 1 April 2017. The insurers also have to submit monthly data by the end of the next month to enable the IIBI to provide value addition to all stakeholders through timely and useful insights and information. In addition, annual financial reconciliation statements in respect of all lines of business have to be submitted to the IIBI before 30 June of the following financial year.



## Unclaimed amounts of policyholders

Date of issue: 25 July 2017

Ref no: IRDA/F&A/CIR/Misc/173/07/2017

### *Implications for insurers*

The Government of India has brought in the Senior Citizens' Welfare Fund (SCWF) as a part of the Finance Act, 2015, which mandates the transfer of unclaimed amounts of policyholders to the fund (SCWF) after a period of 10 years.

### *Mandatory compliance*

All insurers having unclaimed amounts of policyholders for a period of more than 10 years as on 30 September 2017 need to transfer the same to the SCWF on or before 1 March 2018. Insurers will need to get the details of the account as well as the manner in which they are required to transfer the unclaimed amounts from the Department of Financial Services, Ministry of Finance, Government of India.

Thereafter, every financial year, the process laid down in the SCWF Rules, 2016 (details mentioned in the circular), shall be followed as regards the transfer of the unclaimed amounts of policyholders.



## Roadmap for creating a database to be housed in IIB

Date of issue: 12 July 2017 Ref no: IRDA/ INT/ CIR/ CDB/ 160/ 07/2017

### *Implications for insurers*

All insurers are advised to collect the Aadhaar numbers and other details of insurance agents as they will have to be uploaded on a portal prepared by the IIBI.

### *Mandatory compliance*

Insurers must collect the required information and be ready to upload it on the given date to be communicated by the Insurance Regulatory and Development Authority of India (the Authority) in due course.





## Pricing in case of Put or Call options in JV Agreements

Date of issue: 06 July 2017

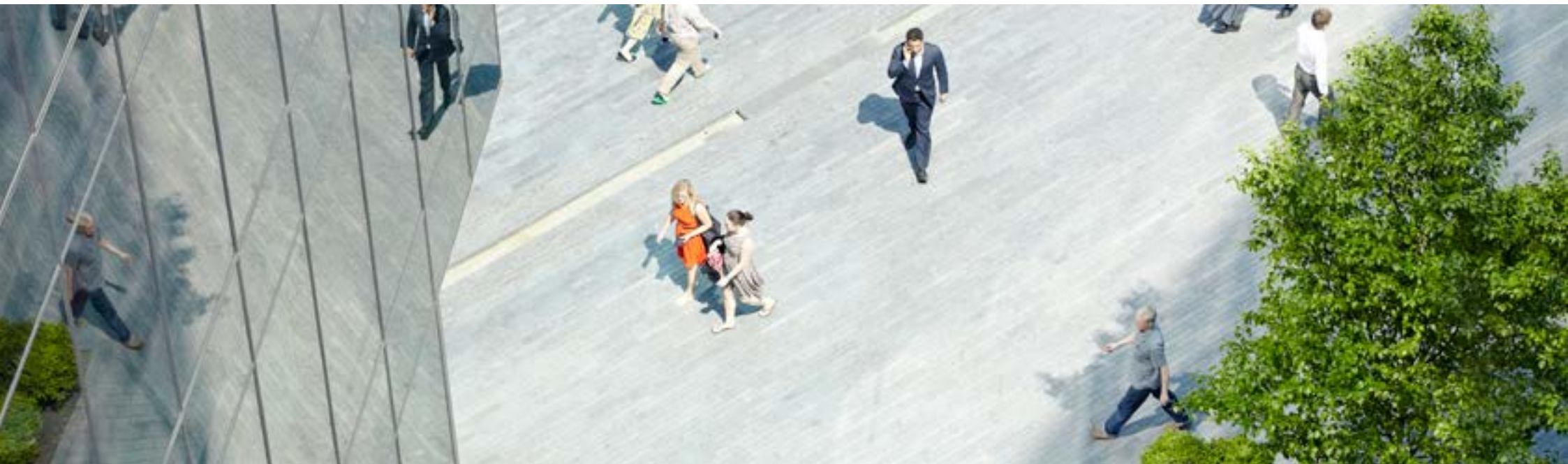
Ref no: IRDA/F&A/CIR/GLD/156/07/2017

### *Implications for insurers*

All insurers who have joint venture (JV) agreements with foreign entities should examine whether they have option clauses therein and ensure that they are in compliance with the Foreign Exchange Management Act (FEMA) Regulations, including those regarding pricing.

### *Mandatory compliance*

Insurers need to furnish a confirmation of compliance with the FEMA Regulations to the Authority.





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