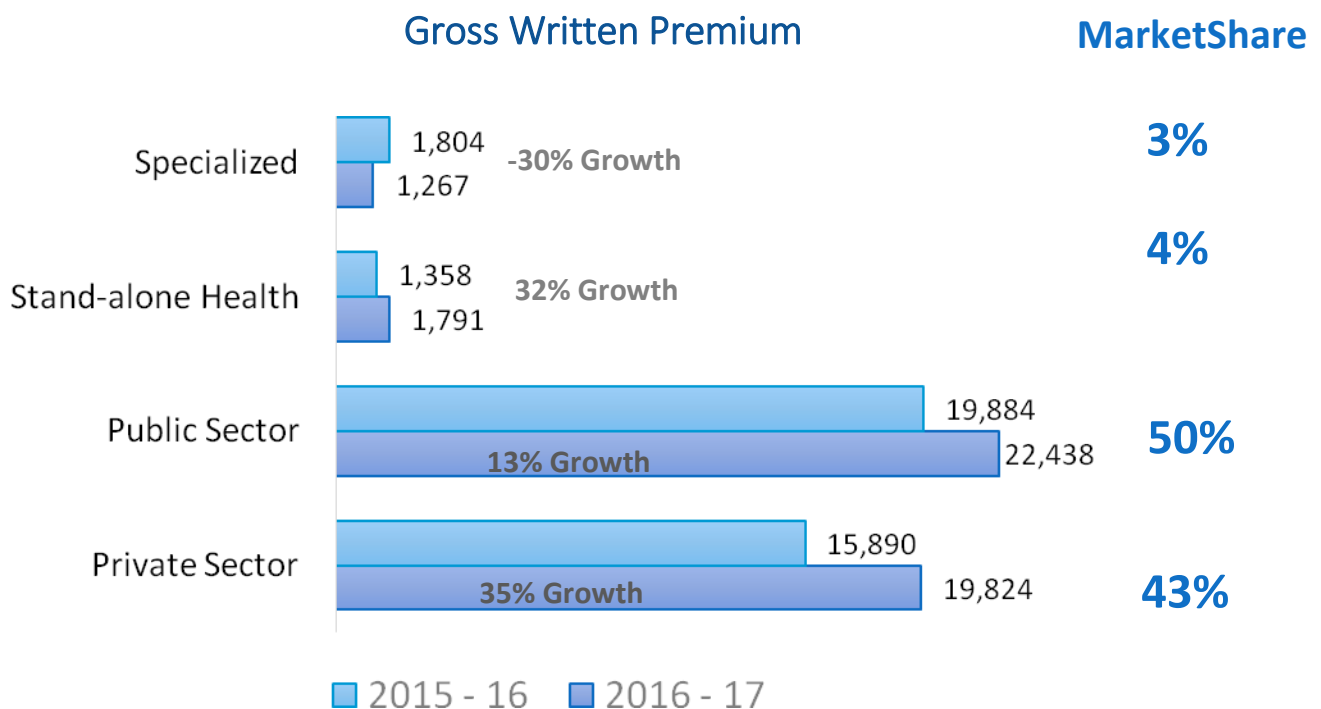


# ZOOM IN >>>

The Monthly Insurance Newsletter

## General Insurance Industry Snapshot

The first five months of this fiscal has seen a growth of more than 16% in premium underwritten in comparison to the data for the corresponding period last year. A quick snapshot below depicts the current growth and market share for the various segments



Figures in Rs Crore

Data till August for both the years

Source: General Insurance Council

Till August 2016, the market has become more than INR 45,000 Crore. The General Insurance Industry is poised to easily cross the premium underwritten figure of 1 lac Crore in this fiscal.

Considering the arrival of new players in Health Insurance Segment, our GDP growth and impetus on Crop Insurance Schemes, the General Insurance Industry looks set for a good growth in this fiscal



## Recent Updates & Developments

More than 50 lac passengers have opted for the Travel Insurance scheme of Indian Railways in the first 15 days since the launch of the scheme. The scheme gives a cover of **INR 10 lacs** in the event of death / total disability and other extensions **at a premium of 92 paise only**

IRDAI has asked Life Insurance Companies to **withdraw Indemnity based health products**. Insurers will have to give a prospective date of closure for indemnity-based products **not later than three months from the date of notification** of the regulation. For existing policyholders, the policy shall continue until the expiry of the term

Up to six new players in the reinsurance market are likely to enter India by January 2017, the Insurance Regulatory and Development Authority of India (IRDA) chief Mr. TS Vijayan has confirmed. "About five-six (companies) have come and I think by January 2017, there should be some players in this market, we will be taking a decision in October in the next authority meeting, then they have to bring capital and start working at it," said Mr. Vijayan.

He also said that IRDA would finalize the regulations pertaining to payment of commission or remuneration to insurance agents and intermediaries in October.

Maharashtra, Madhya Pradesh, West Bengal, Andhra Pradesh, Rajasthan, Odisha, Gujarat, Uttar Pradesh and Bihar are among those who have opted for the government's flagship crop insurance scheme — **Pradhan Mantri Fasal Bima Yojana** (PMFBY) and **Weather Based Crop Insurance Scheme** (WBCIS) being implemented from this kharif season (2016-17). According to preliminary data from the agriculture ministry, of the **2.53 crore farmers** enrolled so far in PMFBY and WBCIS in the ongoing kharif season, most of the farmers belong to these **nine states**

The insurance regulator IRDAI, is now allowing policyholders to revive unit-linked insurance plans (ULIPs) within two years of the policy having lapsed. The new regulation makes ULIPs on par with traditional plans, which have always enjoyed a two-year grace period for payment. The move, which is in response to representations from the industry, changes a previous regulation which required premium payment within 90 days, after which the ULIP would lapse

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.

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**. General and health insurers who have not yet tied up with repositories are now signing agreements to issue electronic policies.

As per a recent study conducted in US, the **premium for Auto insurance will drop by around 40%** once the use of automated vehicles is fully adopted **by 2050** and driving will become safer

# FUN SURANCE

A **Product Recall** is a request to return a product after the discovery of safety issues or product defects that might endanger the consumer or put the maker/seller at risk of legal action

The recall is an effort to limit ruination of the corporate image and limit liability for corporate negligence, which can cause significant legal costs. It can be difficult, if not impossible, to determine how costly can be releasing to the consumer a product that could endanger someone's life and the economic loss resulting from unwanted publicity. Recalls are costly. Costs include having to handle the recalled product, replacing it and possibly being held financially responsible for the consequences of the recalled product

**Product Recall Insurance** covers expenses associated with recalling a product from the market and would typically cover costs such as customer notification, shipping costs and disposal costs. Product recall has become a must for many manufacturers such as Food & Beverages, Automobiles, Toys and Electronics.

The coverage under the policy is for:

(A) Product Recall Expenses

- Communication (radio, TV, Internet, ads...)
- Shipping from purchaser, distributor or user
- Overtime and additional personnel costs
- Storage costs and cost of disposal

(B) Product Recall Expense Liability: Legal liability to pay as compensatory damages arising out of the recall

(C) Consultants Cost



Indian auto makers recalled 2.24 million vehicles citing safety concerns between July 2012 and May 2016, as per the data provided by Society of Indian Automobile Manufacturers (Siam) shows how. Of these, 1.01 million cars were recalled in 2015 alone. In the five months to May this year, car makers have recalled around half a million cars and with increased scrutiny on the quality of vehicles, the year 2016 may end up seeing the highest number of recalls yet.

Between 2012 and 2015, 10.56 million passenger vehicles were sold in India, though there is no correlation between recalls and sales. Some of the vehicles recalled in the past four years were manufactured in 2007 and 2008.

India's auto makers have started to recall vehicles more frequently after the country's auto lobby group Siam adopted a voluntary code on vehicle recalls in 2012. Rising customer awareness over global recalls has also played a part.

Siam defines a recall thus: "...After release to markets, if in the opinion of manufacturer some vehicles have issues which pose a safety defect as defined herein, such vehicles are voluntarily inspected and rectified by the manufacturers/importers, free of cost."

## Major Recalls in the year 2016

- ▶ February 23: Mars Incorporated recalled chocolate from 55 different countries, after a German customer found plastic in a Snickers bar in February
- ▶ April 2016 (i) CRF Frozen Foods recalled over 300 frozen food products  
(ii) Pilgrim's Pride recalled more than 4.5 million pounds of fully cooked chicken products
- ▶ May 27: Maruti Suzuki recalled 75,419 units of the Baleno hatchback (petrol and diesel) to upgrade its airbag controller software of which 17,231 units are exports
- ▶ August 23: McDonald's recalled over 30 million of the Happy Meal Fitness Activity Tracker bands due to risks of skin irritation and burns
- ▶ Sep 2016: (i) Samsung recalled 2.5 millions Galaxy Note 7 phones due to batteries catching fire or exploding during charging, just after 2 weeks of sale  
(ii) General Motors recalled over 4 million vehicles (brands such as Buick, Chevrolet, GMC and Cadillac) after an air bag software defect killed 1 person and injured 3  
(iii) Nissan recalled 134,000 Maxima and Murano vehicles due to fire hazard.  
(iv) Koffee Kup Bakery recalled 99,000 bread products after consumers reported that there are some clear plastic pieces in some products

Your feedback matters a lot so please do write: [feedback@zoominsurancebrokers.com](mailto:feedback@zoominsurancebrokers.com)

*The information contained herein is based on sources we believe are reliable and genuine and should be understood to be general risk management and insurance information only*