Insurance Institute of India
C – 46, G Block, Bandra-Kurla Complex, Mumbai – 400051
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• Quote for the Week •

"The key is not to priorities what's on your schedule, but to schedule your priorities."

– Dr Stephen R covey

INSIDE THE ISSUE

Source

Insurance Industry

FDI in services sector up 77.6% in April-Dec – The Hindu – 5th March, 2017

Foreign investments in the services sector increased 77.6 per cent to $7.55 billion in the first nine months of the current fiscal, helped by government steps to improve ease of doing business.

The sector, which includes banking, insurance, R&D, outsourcing, courier and technology testing, had received foreign direct investment (FDI) worth $4.25 billion during the April-December period of last fiscal, 2015-16, according to the Department of Industrial Policy and Promotion (DIPP).

The sector contributes over 60 per cent to India's GDP and accounts for 17 per cent of total foreign investment inflows.

The other sectors where inflows have recorded growth during the nine-month period of 2016-17 are: telecom ($5.54 billion), trading ($2 billion), computer software and hardware ($1.81 billion) and automobile ($1.45 billion).

FDI growth in important sectors like services, overall foreign inflows in the country increased 22 per cent to $35.84 billion during April-December 2016-17.

The Commerce and Industry Ministry is also considering relaxing FDI norms in certain sectors including retail to further boost inflows.

Foreign investment is considered crucial for India, which needs around $1 trillion for overhauling its infrastructure sector such as ports, airports and highways to boost growth.

A strong inflow of foreign investments will help improve the country's balance of payments situation and strengthen the rupee against other global currencies, especially the US dollar.

Back

Social media can be a window for insurer to know you better – Financial Chronicle – 6th March, 2017

The information one gives out through social media on travel, food and lifestyle can become useful source of information for your insurer to know more about you before underwriting a policy. Big data, analytics and telematics too are now increasingly used to assess the risk.

Insurance companies need a lot of information as well as ways to verify the information while underwriting a risk appropriately, especially when differential pricing is fast becoming the norm. Insurance sector is yet to have 'risk score' similar to the credit score for the banking system. Apart from past claim data, social media, big data analytics and telematics will be used by insurers to assess the risk.

"The information about a customer on his Facebook, Linkedin, Instagram or Twitter can be accessed by insurance companies. While underwriting a health policy and determining the premium, the social media can become handy to understand whether the customer is a teetotaller, smoker or what kind of food and lifestyle habits he has,' said VeerChand Bothra, CEO, netCORE Solutions.

Similarly, social media too is a window to glance into the travelling and sporting activities of the customer. The insurance companies can also verify the details provided by the customer in terms of income, job and lifestyle using these websites.

"Evolution of social media platforms such as Facebook, Twitter, Instagram and LinkedIn are a reflection of the society, the influence of which on the society at large cannot be undermined. For businesses, it is important to have insights into changing consumer behaviour and social media provides us with these important insights. As a service-oriented customer organisation, we continuously look for insights on the patterns of consumer behaviour – individual as well as collective – and better ways to engage with customers," said Mehmood Mansoori, member of executive management and Group head HDFC ERGO General Insurance.

Some of the insurance companies are already using analytic data and telematics for underwriting purposes. "We have a data analytics wing which helps us capture the claims related data and feed it back for underwriting purposes. We have started using telematics devices in the vehicles or mobile phones of our policyholders. This helps us understand the driving behaviour of the customer, the distance he travels, travelling conditions etc. However, many customers still think such devices intrusive. Using social media to understand the customer too can be considered intrusive,' said Roopam Asthana, CEO and whole time director, Liberty Videocon General Insurance.

Currently many insurers are using social media for marketing purposes, understand customer preferences and engage with them. "We have incorporated cloud based social listening tools that enables us to respond to our customers in real-time. We are the only insurance company to have launched web enabled community portal for the customers and the stakeholders of General Insurance sector, which offers users a peer-to-peer channel to research, get advice, discuss and share their experience," said Mansoori.

Source

"We have actively used social media and other digital channels / forums to seek feedback and suggestions. The product design of some of our recent and upcoming products has been influenced by the views and needs of the new age digital consumers in the design of our new website,' said Upendra Namburi, chief innovation officer, Bharti AXA General Insurance.

Back

Now, Chit funds demand insurance cover to safeguard subscribers' money – The Financial Express – 7th March, 2017

The All India Association of Chit Funds has approached the finance ministry and the Insurance Regulatory Authority of India (Irdai), seeking modifications to the Chit Fund Act 1982 for bringing in insurance cover as a securitisation strategy for chit subscribers.

Chit funds are regulated entities, classified as miscellaneous non-banking financial institutions, under the Reserve Bank of India Act, 1934 and are governed by the Chit Fund Act 1982, which is administered by respective state governments.

"Chit funds continue to be an integral part of the financial networking in our society. We have submitted a memorandum to the finance ministry seeking an amendment to the Chit Fund Act 1982. As any suggestion or recommendation can be given effect only with legislative and administrative support, amendment to the act will be the logical step in this direction for meeting the insurance norms," TS Sivaramakrishnan, general secretary, All India Association of Chit Funds, said.

Incidentally, chit funds are also seeking change of the name as most often it relates to ponzi schemes by unregistered chit fund companies.

There are more than 30,000 registered chit operators having an annual turnover exceeding R40,000 crore in India. The Association of Chit Funds said unregistered chit operators could be at least 25 times more than the registered ones.

Members of the association recently met finance minister Arun Jaitley seeking amendment to the Chit Fund Act, 1982. "This Act is obsolete and needs amendment to several provisions that are inconsistent and practically not possible to adhere," Sivaramakrishnan said, adding that the amendment to the Act is the first requirement if chit funds have to be encouraged to play a more effective role in the financial inclusion programme.

On insurance coverage, Sivaramakrishnan explained that the Act rightly provides penal provisions for various defaults on the part of the foreman, but the main concern of subscribers is safety and security. So, extending insurance coverage to subscribers money may be a prudent initiative.The Association has also requested to be allowed to undertake fee-based activity such as selling insurance policies and other financial products. Availability of credit history is essential in the context of selling these products from the banks and other deposit-taking institutions.

Source

Back

Diversity at the workplace is a win-win, says Corporate India – The Hindu – 7th March, 2017

Women selling life insurance in India has been a historical reality. But 39-year-old Nanda Wable earns her living selling insurance for commercial vehicles (CVs) — an area dominated by men. In a year, she sells over 350 CV policies, earning over ₹50,000 a month.

Wable works with Bajaj Allianz Life Insurance Company's all-women branch, which trains women to become insurance entrepreneurs. The company's 31 such specialised branches brought in ₹35 crore premium this year. Mostly, the agents there are women on a career break for personal reasons, senior citizens, single mothers as well as entrepreneurs. Women comprise 25 per cent of the workforce at managerial levels in PepsiCo India, while in Godrej Industries, the number is 35 per cent across businesses. The shop floors of Ford India, Maruti Suzuki India and Hyundai India, the traditional male bastions, now have women putting together car engines.

Unique perspective

A handful of Indian companies is going out of their way to push through the agenda of gender equality, and with a firm reason. "We believe that women bring a unique perspective and approach to any challenge. Our teams are stronger and decision-making is healthier when we have balanced teams," Suchitra Rajendra, CHRO, PepsiCo India, told BusinessLine.

The company's belief is validated by a McKinsey research covering 366 companies. It pointed out that companies in the top quartile for gender diversity are 15 per cent more likely to have financial returns above their respective national industry medians, making it imperative for corporates to establish gender diversity.

Anamika Rashtrawar, Senior President, Bajaj Allianz General Insurance, who leads the all-women initiative, said women bring diversity in distribution of policies. "They don't have to invest a rupee and the work hours are flexible. It allows us to tap into the vast talent pool of women around us. It is a win-win for all," she observed.

Dual challenge

But even as corporates realise the need to hire women at all management levels, it is a challenge to retain them in the workforce, because they face the dual strains of managing households and careers. "This is why you usually see a drop in number of women at mid-management levels," said Sumit Mitra, Head - Human Resources and Corporate Services, Godrej Industries.

To address this, companies are offering six months of fully paid maternity leave as well as flexible location and working hours. The offices often have creches for children up to eight years of age.

"We offer support systems to ensure that women don't opt out of the workforce," said PepsiCo's Rajendra. Not surprisingly, four of the 14 people in PepsiCo India's leadership team are women. Out of the company's 14 pay grades, six grades have women being paid more than men, and four have them earning equally. Godrej's Careers 2.0 programme offers live business projects to women on a career break. A mentor is assigned to each woman to guide them through the organisation and their role. "While the company's women workforce strength is 35 per cent, there is a drive to get more women in the managerial cadre," said Mitra.

Pay parity

But the goal towards diversity begins at the hiring level itself and cannot be attained suddenly at the top. So, PepsiCo aims to hire at least 34 per cent women. "We look at the pay grades and ensure there is no discrimination at all," said Rajendra.

Similarly, Hyundai is also increasing its intake of women as graduate engineer trainees and management trainees who could work in the shop floor in future. "Almost 20 per cent of vacancies are now filled by women as we *consciously look at the options to maintain diversity," said Stephen Sudhakar John, Senior Vice-President – HR & GS, Hyundai India.*

Mitra said Godrej Properties has improved the women ratio in workforce from 16 per cent three years ago to 26 per cent now. "The team did not lower the bar on hiring, but instead made sure that there are enough women candidates in the recruiting pipeline," he said.

Source

Hiring and retaining women employees requires a sensitised workplace. "We conduct gender intelligence workshops across functions and locations to sensitise both men and women and bring out the importance of having a gender-balanced organisation," said Rajendra. Because, until there is sensitisation at the workplace, no amount of efforts can ensure gender equality in an organisation.

Back

Life Insurance

Is your single premium life insurance policy eligible for tax benefits? – The Economic Times – 3rd March, 2017

Life insurance doesn't necessarily mean that you have to keep paying the premium every year. There are single premium life insurance (SPLI) policies as well, which provide similar benefits of protection and savings as the regular premium ones. The term of SPLI policies is usually 10 years, but one can exit after five years.

Recently, the interest in SPLI policies seems to have increased. As on January 31, 2017, the total premium of such policies was Rs 22,591.53 crore as against Rs 10,025.49 in the same period last year.

But, as an SPLI policyholder, are you getting the various tax benefits such policies are eligible for? Will your policy be eligible to claim Section 80C benefit and will the maturity proceed be tax-free? Remember, not all SPLI policies are structured to help you avail such tax benefits. So before you lose out on such benefits, it's better to be aware of the tax rules.

Being a life insurance policy, SPLI too qualifies for tax benefits, both under Section 80C (at the time of investment) and for making the maturity proceeds tax-free under Section 10 (10D). But one needs to be little careful while buying such policies, otherwise both these benefits might not be availed.

The benefit under Section 80C and Section 10 (10D) will hold true only when certain conditions are met in the policy.

Income tax exemption on maturity proceeds

What the tax rule says: Under normal circumstances, for policies issued on or after April 1, 2012, the exemption is available only if the premium amount in any financial year does not exceed 10 per cent of the actual capital sum assured. This is applicable to all life insurance policies, including SPLI. Archit Gupta, Founder & CEO, ClearTax.com, informs, "The maturity proceeds from the single premium life insurance policy will be tax-free only if the minimum sum assured throughout the policy term remains at least 10 times the single premium paid. So if the sum assured on single premium life insurance policies is 1.25 times the premium amount, then the maturity proceeds will be taxable."

Illustratively, if the premium is Rs 10,000, the life cover (sum assured) should be Rs 1 lakh for the maturity proceeds to be tax-free. If, say, the sum assured is Rs 12,500 or Rs 90,000, the policy loses the tax benefit under Section 10 (10D). Therefore, make sure the sum assured is at least 10 times the premium amount.

If this condition is not met, then the entire maturity proceeds are fully taxable in the year of receipt. It has to be shown as income while filing one's income tax return. "The only exception in this case is the proceeds from life insurance plan arising due to the death of the policyholder are exempt from tax irrespective of the level of the premium," says Gupta.

Moreover, the insurer is supposed to deduct tax at source (TDS) on such payments. As per Section 194DA of the Income Tax Act, 1961, any sum received by an insured Indian resident from an insurer under a life insurance policy shall be subject to TDS of 2 per cent if the maturity proceed is not exempted under Section 10(10D), i.e., on policies where the sum assured is less than 10 times the premium amount.

What the insurers offer: In SPLI policies, the insurers define the minimum and the maximum sum assured. In most policies, the minimum sum assured is 1.25 times the single premium, or even 1.10 times the single premium. The maximum sum assured is typically 10 times the single premium for lower ages, while for those above 35 or 45, even the maximum is 1.25 or 1.10 times the single premium. So unless one chooses to go with the maximum cover of 10 times, the tax benefit is lost.

Investors generally opt for a lower cover because of lower incidence of mortality charges, i.e., cost of providing life cover. The lower the deduction of mortality charges, the more will be the fund available towards investment. Even though the mortality charges in a policy with 10 times the sum assured will be more than a policy with 1.25 times the sum assured, remember, the tax benefits are lost in opting for the latter.

Income tax deduction on investment

Premium paid towards life insurance policies qualifies for deduction under Section 80C, up to a maximum of Rs 1.5 lakh a year. The gross total income gets reduced by the premium amount and, thus, reduces the tax liability.

What the tax rule says: As per the rule, for a life insurance policy issued on or after April 1, 2012, if the premium paid exceeds 10 per cent of the sum assured, then the deduction (from the gross total income) will be available to the extent of 10 per cent of the sum assured and the premium paid in excess of this amount cannot be claimed as deduction. Gupta says, "Single premium paid should not exceed 10 per cent of the sum assured. In other words, the sum assured should be at least 10 times the single premium paid."

Illustratively, if one buys an SPLI policy by paying a premium of Rs 2 lakh and a sum assured of Rs 20 lakh, the Section 80C benefit will be restricted to Rs 1.5 lakh of the premium. But if by paying a premium of Rs 2 lakh, if the sum assured is Rs 2.5 lakh (or any amount less than 10 times the premium), the deduction under Section 80C will be restricted to Rs 25,000, i.e., 10 per cent of the sum assured.

Also, early exit from the policy may be an unfriendly tax move. Gupta says, "The policy should not be surrendered within two years. If a single premium policy is surrendered within two years, the deduction allowed in the past under Section 80C will be considered as income of the taxpayer in the year in which insurance policy is surrendered."

Conclusion

When you're buying SPLI, make sure to keep the right amount of life cover, especially if you wish to take tax benefits. Although income tax rules will apply as on the date of maturity, leaving things to chance may, in fact, increase your tax liability. An SPLI policy may help you not only take advantage of tax benefit but also provide protection and save for long term goals. Watch out, however, for the quantum of sum assured.

Source

Back

Insurance is not an investment – The Times of India – 6th March, 2017

Investment-cum-insurance plans offer poor returns and insufficient life cover

Here's a great investment idea. Invest Rs.25,000 a month for 20 years and get nearly Rs.64,000 a month from the 21st year on wards for 16 years. The income will also keep increasing by 6-7% every year. The investment is eligible for tax deduction under Section 80C. What's more, the income received will be tax free and the buyer will also get insurance cover of almost Rs.80 lakh. Isn't that a great way to retire in comfort?

That's what Sachin Khairnar also thought when he signed up for the Retire and Enjoy combination plan of 16 Jeevan Anand policies in 2012. "It sounded attractive as I would get assured tax-free income as well as life cover," says the Pune-based professional. Every year, thousands of buyers like Khairnar invest in traditional insurance plans, lured by the "triple benefits" of tax deduction on investment, life cover during policy term and tax-free income on maturity.

But traditional insurance-cum-investment plans give abysmal returns. ET Wealth looked under the hood of 10 such plans and found the average return was barely 4.8%. The returns were calculated using the internal rate of return (IRR) method. "Ask your adviser to calculate the IRR on the excel sheet as different companies and plans can give different returns," says Sanjiv Bajaj, MD, Bajaj Capital. If Khairnar's 16 policies will earn 6.84% returns it is because some of them are long-term plans and will continue till he is 70. A typical 20-year plan will not yield more than 4.5-5% return.

LIFE COVER TOO LOW

The insurance companies do not dispute our calculations. However, they point out that these plans also offer life cover to the buyer. "No other investment product offers guarantee for a long tenure of up to 20-25 years, in addition to risk cover," says Manik Nangia, MD and Chief Digital Officer, Max Life Insurance. We agree these plans also offer life insurance, a critical component of financial planning. However, these traditional plans are not the best way to get insured because they offer insufficient cover. A person earning Rs.70,000-80,000 a month needs an insurance cover of roughly Rs.1 crore. A term insurance cover of Rs.1 crore will cost a 30-year-old male about Rs.12,000-15,000 a year. But the same cover from a traditional insurance plan will require an annual premium of at least Rs.10 lakh. Going for such a plan would mean putting all other goals on the backburner.

OBSESSION TO SAVE TAX

Insurance cover is the last thing on the mind of the average buyer of traditional plans. His primary objective is tax deduction under Section 80C. "People buy traditional policies for tax savings, safety of capital, assured returns and life insurance cover, in that order," says Manoj Nagpal, CEO of Outlook Asia Capital. Almost 70% of the total business of life insurance companies is transacted in the last three months of the financial year when millions of taxpayers are trying to invest under Sec 80C.

But life insurance is not the best way to save tax either. Other instruments can achieve that objective in a much better way. For risk-averse investors, there are 5-year bank fixed deposits and small savings schemes. The interest from fixed deposits and NSCs is taxable so the real rate of return for someone in the 30% bracket comes to 4.9% in case of bank FDs and 5.6% in case of NSCs. But the PPF offers tax-free returns of 8%. Those with daughters below 10 year can even opt for the Sukanya Samriddhi Yojana that offers 8.5% tax free.

For investors willing to take a small risk, the NPS is a good option. It offers market-linked returns, though the investment gets locked till retirement and only 40% of the corpus is tax free. ELSS funds are also tax-free and have the potential to give significantly higher returns, though the risk is also higher.

Insurance companies argue it is unfair to compare life insurance policies with other instruments on the basis of returns. "One should not consider returns alone. These plans also provide life cover and the cost of the cover should be factored in," says Sujoy Manna, Vice-President, Products, HDFC Life.

That's a fair point. We compared the returns of an endowment plan with those of a term plan combined with the PPF and ELSS funds. Assuming a return of 8% for the PPF and 12% for the ELSS fund, both combinations would give better returns and higher insurance cover to the buyer (see table).

SELLING LIKE HOT CAKES

Despite the poor returns and low cover, traditional plans sell like hot cakes in the last three months of the financial year. According to one estimate, traditional insurance plans account for nearly 70% of the total premium collected by the life insurance industry.

There's a good reason for this skew. Ulip charges were capped in 2010 and term plans don't have high premiums. So, agents push traditional policies that offer them higher commissions.

The other reason is that buyers don't understand the time value of money. They don't realise that the huge maturity amount being projected may mean little after 25-30 years. "The main reason that traditional plans provide such low returns is because of their payout structure," says personal finance blogger and author M. Pattabiraman. "Payouts are not given as lump sum benefit but are spread across the years, which severely reduces the net return," he adds.

WHERE THE PLANS SCORE

Traditional insurance plans have one redeeming feature. They enforce a saving habit in the policyholder. Prodded by the agent, coaxed by a sense of responsibility towards their families and afraid of losing money due to lapsation, few policyholders miss the insurance premium. It is not rare to see a policy mature after 25-30 years of regular premium payment.

Few mutual funds can boast such a loyal following. Data shows nearly 46% of investments by small investors in equity funds are redeemed within two years.

Source

Back

India: Majority view is breadwinner should be first in the family to be insured – AIR – eDaily – 8th March, 2017

More than 80% of men and women who took part in a poll conducted by Apollo Munich Health Insurance believe that the bread earner should be the first to be insured against life and health related risks.

In addition, out of the 2,284 people surveyed, over 2,000 people feel that the man is the chief wage earner in a family, reported ANI citing the poll findings.

The survey conducted in collaboration with AC Nielsen also found that despite a rise in health insurance claims filed by women, the number of women opting for products that are tailored for them has significantly declined.

"With more women becoming economically independent today and leading longer lives, women should consider individual health insurance policies and critical illness riders, etc, and not depend only on the spouse's cover to mitigate their healthcare expenses. The insurance industry must come together to promote health insurance for the 65 crore women in the country to ensure that their healthcare expenses are met," said Mr Antony Jacob, CEO, Apollo Munich Health Insurance.

A separate report by Birla Sun Life Insurance shows that only 50% of women in the urban Internet population in India have life insurance coverage as compared to 72% of men who have purchased life insurance solutions.
The report said that only 26% women start insuring themselves early i.e. when they are in the age group of 20-30 years.

Women in the middle income group focus most on purchasing life insurance products, according to the report. While women in the middle income group invest most in savings linked products, others invest more in wealth related products closely followed by savings. Wealth related purchases are most popular amongst the lower income group.

Source

Further, the purchase of retirement related products is directly proportional to income. Women in the higher income bracket plan better for their retirement. Purchase of protection plans though low is higher for the affluent and the upper income group as compared to the middle and the lower.

Back

General Insurance

Third party premium for small cars may not rise – Financial Chronicle – 6th March, 2017

Regulator Irdai has proposed up to 50 per cent increase in insurance premium for cars, motor cycles and commercial vehicles from April 1.

However, there is no proposal to raise the third party motor insurance premium for small cars (up to 1,000 cc) from Rs 2,055 now.

The hike proposed in mid-segment cars (1,000 cc - 1,500 cc) as well as bigger cars and SUVs is 50 per cent. The proposal is to increase the premium to Rs 3,355 for cars up to 1,000 cc and Rs 9,246 for bigger ones.

Also, no change has been proposed for two-wheelers having engines up to 75 cc. However, for sports bikes and super bikes (more than 350 cc), the premium may rise to Rs 1,194 from Rs 796, up 50 per cent. Higher premium has also been proposed for entry level bikes (77-150 cc) and performance category (150-350 cc).

Insurance regulatory and development authority has released exposure draft on premium rates for motor third party insurance covers for 2017-18 and invited stakeholders' comments till March 18. Motor third party insurance rates are revised each financial year.

Source

Irdai proposes to increase the premium for tractors up to 6 HP from Rs 510 to Rs 765. In case of vintage cars, it has proposed a discount of 25 per cent. A car is certified as vintage car by Vintage and Classic Car Club of India.

Back

Income surety for plantation crops faces insurance block – Financial Chronicle – 5th March, 2017

The plan to provide income guarantee to tea, coffee and rubber farmers has hit insurance roadblock, as companies are reluctant to insure plantation crops fearing losses. "To a tender inviting insurers to bid for the premium, not a single insurance company participated," a source said.

They said the previous norm of claim eligibility at 10 per cent of the crop losses was very low. After the setback, the commerce ministry, which announced the pilot project last year, has increased the claim limit to minimum damage of 15 per cent and has again invited bids, the sources said, adding the outcome would be known by end of this month. On the other hand, a senior executive of a private insurance company undertaking crop insurance of the agriculture ministry said the limit must be at least 20 per cent to make this viable.

Since plantation crops are called "cash crops" they cannot be equated with agricultural crops, he added.

The commerce ministry approved the pilot revenue insurance scheme for plantation crops (RISPC) for pr¬o¬tecting growers from the risks such as yield loss, pest attacks and income loss cau¬sed by fall in prices, mini¬ster Nirmala Sitharaman sa¬id in the House last month.

The government last year approved RISPC on pilot basis in 8 districts of 7 states for 2 years starting from 2016-17. As the bids have been invited for the second time, the pilot will be delayed by another year provided premium issues are resolved, sources said.

The scheme has been devised for helping an estimated over 1.85 lakh small gro¬wers of rubber, tea, coffee, tobacco and cardamom with plantations of less than 10 hectares.

After Narendra Modi became the prime minister, the government ended the price stabilisation fund (PSF) scheme, started during the Atal Bihari Vajpayee government in 2003 and announced RISPC as an improved version of PSF. As per the new insurance scheme, the Centre will provide 75 per cent of the premium while the state government will have to share 15 per cent and the rest is to be paid by the individual farmers to be insured.

If a state government declines to part with its 15 per cent share, farmers will have to pay 25 per cent of the premium in that state.

There has been no cha¬n¬ge in this funding pattern of premium, the sources said. "After the roll out, farmers' interest will be analysed and thereafter a decision will be taken whether to tweak the current subsidy norm," the source said.

Pallakad in Kerala has been identified for rubber, Coonoor in Tamil Nadu, Jalpaiguri in West Bengal and Golaghat in Assam for tea and Chikmagalur in Karnataka for coffee under this pilot scheme.

Source

Similarly, the West Godavari district of AP has been selected for tobacco and Idukki in Kerala and East Sikkim for cardamom. The¬ir respective commodities boards are running the pilot. Extension of the scheme to other districts will be based on the performance of the pilot project, sources said.

Back

30% of area sown under rabi crops gets PM insurance cover – Business Standard – 2th March, 2017

More than 19 million hectares have come under the ambitious Pradhan Mantri Fasal Bima Yojana (PMFBY) during the current rabi season, covering around 30 per cent of the total sown area of 64.5 million hectares.

According to preliminary estimates by insurance companies and state agencies till Friday, the total sum insured for the winter crops has jumped almost 50 per cent to Rs 68,230 crore, compared to the earlier season.

Around 16.4 million farmers have been brought under the ambit of the Prime Minister's crop insurance and weather-based crop insurance schemes as against 17.5 million farmers in the previous rabi season.

"The number of farmers who have been covered under the PMFBY this rabi season is expected to move up sharply after details from centres come in and final numbers are compiled," a senior official said.

He said together with the kharif season, around 53 million farmers have been covered under the PMFBY in the first two seasons of 2016-17.

Till the last rabi season, the Centre used to run three different crop insurance schemes, namely National Agriculture Insurance Scheme (NAIS), modified National Agriculture Insurance Scheme (MNAIS), and Weather-Based Crop Insurance Scheme.

From the 2016 kharif season, these schemes were discontinued, and the PMFBY was launched. The Weather-Based Crop Insurance Scheme was also retained to give an option to the states.

Finance Minister Arun Jaitley, in his 2017-18 Budget speech, had announced that the government planned to increase coverage under the scheme from 30 per cent of the cropped area in 2016-17 to 40 per cent in 2017-18 and to 50 per cent in 2018-19.

He allocated a sum of Rs 9,000 crore for the scheme as against the budget estimate of Rs 5,500 in 2016-17.

The revised allocation for 2016-17 was raised to Rs 13,240 crore to settle pending arrear claims.

"The sum insured under this Yojana has more than doubled from Rs 69,000 crore in kharif 2015 to Rs 1,41,625 crore in kharif 2016," Jaitley had told Parliament.

Officials said that of the revised allocation of over Rs 13,240 crore, around Rs 10,371 crore had already been released till February 23, while the remaining was in the process of being released.

The maximum premium that the farmer has to pay under the PMFBY is a flat 1.5 per cent of the sum insured for all kharif crops and 2 per cent for rabi crops.

For horticulture and cotton crops, the premium has been capped at 5 per cent.

As much as 25 per cent of the likely claim will be settled directly in farmers' accounts. Non-loanee farmers, such as share-croppers, are also included under the scheme.

The Agriculture Insurance Company of India (AIC) and 10 other organisations, including ICICI Lombard, HDFC ERGO, IFFCO-Tokio and SBI General Insurance are in the empaneled group of insurers. Farmers get claims against the full sum insured without any reduction.

Key points:
** Initial estimates show 16.4 million farmers opt for insurance under Pradhan Mantri Fasal Bima Yojana in this rabi season*

** Of the total cropped area of 64.5 million hectares, the total area covered is around 19.4 million hectares*

** The total sum insured rose by almost 50 per cent to over Rs 68,000 crore, as compared to the same period last year*

** The government plans to cover 40 per cent of cropped area in 2017-18 and raise it to 50 per cent by 2018-19*

** In the 2017-18 Union Budget, the government allocated Rs 9,000 crore for the scheme as against Rs 5,500 crore allocated in 2016-17 (BE)*

Source

Back

Proposed hike in motor third-party premium will help bring down losses, say insurers – The Hindu – 7th March, 2017

The steep hike in premium rates of motor third-party insurance in some segments proposed by the regulator will help mitigate losses, according to general insurers.

Last week, the Insurance Regulatory and Development Authority of India (IRDAI) proposed an annual hike in motor third-party insurance in the 15-50 per cent range in different categories of private and commercial vehicles.

"The good part is that this is done by the regulator, which follows a well-defined formula to calculate the need for a hike in premium.

"There has been a moderate increase in the last three years and the proposed hike is slightly higher in comparison," Sanjay Datta, Chief of Underwriting Claims and Reinsurance, ICICI Lombard General Insurance, told BusinessLine on Tuesday.

The move will help the motor insurance segment, where costs have been rising due to increase in compensation and other procedural issues, Datta added.

According to S Thirunavukarasu, Country Head-Underwriting and Claim (Motor), Royal Sundaram General Insurance Co, the proposed hike is in line with the overall claims expectation of the industry.

The draft proposal to revise the third-party premium rates in various segments, especially the medium and heavy goods carrying vehicles where the proposed increase is 50 per cent, if implemented, will help mitigate insurers' losses to a "great" extent, he added. While an increase of about 50 per cent in rates has been proposed for private cars of over 1,000 cc capacity, no increase has been planned for cars of less than 1,000 cc.
Similar is the case for taxis of less than 1,500 cc.

"We feel that at least a 25 per cent increase should have been proposed for this segment as majority of cars in the Indian market, including taxis, fall under this category and where the frequency of claims is much higher," Thirunavukarasu said.

According to Puneet Sahni, Head – Product Development, SBI General Insurance, the proposed increase is not 50 per cent across segments.

For certain categories of vehicles, such as private cars of up to 1,000 cc, goods carrying vehicles up to 7.5 tonnes capacity, and buses exceeding seating capacity of 17, there is either a marginal increase or no increase in third-party premium. For taxis up to six passengers, there is no increase in third-party premium.

"This is not the highest ever hike proposed by the regulator. The initial increase in third-party premium, just after dismantling of the TP pool, was proposed to be higher than 50 per cent in certain categories," he said.

Impact

For four-wheelers above 1,000 cc, the proposed hike in premium is 50 per cent. The current composition of third-party premium out of the total premium is around 30 per cent. In such a situation, the overall premium may increase by 15 per cent for four-wheelers.

Source

For two-wheelers exceeding 150 cc, the proposed hike is to the tune of 50 per cent which, in turn, may increase the total cost of comprehensive insurance by 20-25 per cent, since the composition of third-party premium in total premium is around 50 per cent.

The proposed increase, if notified in the current form, will come into effect from April 1, 2017.

Back

India: General insurers to have uniform pricing in several sectors – AIR – eDaily – 9th March, 2017

General insurers, which have come together to adopt uniform premium rates and deductibles for seven industries, will add another five industries to the list in the next financial year beginning 1 April.

The non-life insurers are coordinating product design and premiums by sharing data where claims are high and it is likely that the Competition Commission of India (CCI) would intervene, reported The Economic Times.

The uniform wordings on policy documents for industries such as steel and power and identical premium rates and deductibles may invite the attention of the monopoly watchdog.

The insurers have also decided that the outgoing lead insurer in a pool would notify other insurers about the claim experience of previous years.

"Insurance companies are sharing data on occupancies where claims are high," said Mr G Chandrasekharan, Secretary General of the General Insurance Council. "It takes place in any market in a deteriorating claims environment."

Source

"The industry has decided to not charge rates that are unsustainable," said Mr A Hoda, officiating Chairman of state-owned insurer, United India. "Nobody is going to charge below a certain percentage because competition is leading to death of the industry."

The sector's net incurred claims ratio has rising for several years. The ratio was 94% for 2011-12 and 2012-13, 97% in 2013-14, 101% in 2014-15 and 102% in 2015-16, according to IRDAI.

Government makes Aadhaar mandatory for crop insurance policies – The Financial Express – 8th March, 2017

The government has made Aadhaar mandatory for availing crop insurance policies from the upcoming kharif sowing season. The Agriculture Ministry has issued a directive to rural financial institutes to comply with the new rule from the kharif (summer) season starting April 1."The Government of India has notified that farmers availing crop insurance schemes administered/implemented by the Department of Agriculture from kharif 2017 are hereby required to undergo Aadhaar authentication or furnish proof of possession of Aadhaar," said the directive. The banks have been asked to persuade farmers to furnish Aadhaar identification card at the time of sanction/renewal/ disbursement/inspection of the loan or on visit at bank branches, it said. Farmers who are yet to enrol for Aadhaar are required to get one. The state governments will have to arrange or offer enrolment facilities for beneficiaries.

Till the time Aadhaar is assigned to an individual, crop insurance under any of the government-run schemes — Pradhan Mantri Fasal Bima Yojana (PMFBY) and Restructured Weather-based Crop Insurance (RWBCI) may be availed by farmers by furnishing documents such as bank passbook, Aadhaar enrolment ID slip, voter ID and MGNREGA job card.

Farmers can also furnish driving licence along with a copy of request made for Aaadhar. But these documents will be verified by designated state government officials, the notification added.

Source

Pradhan Mantri Fasal Bima Yojana (PMFBY) and Restructured Weather-based Crop Insurance (RWBCI) provides a comprehensive insurance cover against failure of crop. Under these schemes, premium to be paid by farmers are fixed lower.

Back

Health Insurance

Insurance coverage aiding corporate healthcare growth: Ind-Ra – The Financial Express – 3rd March, 2017

India Ratings and Research has maintained a stable outlook for the corporate healthcare sector for 2017-18 aided by strong growth in health insurance coverage. "India Ratings and Research (Ind-Ra) has maintained a stable outlook for the corporate healthcare sector for FY18, based on expectations of continued stable revenue growth," the agency said in a statement.

The sector is expected to register stable revenue growth of about 15 per cent for FY18, driven by the completion of new facilities and aided by strong growth in health insurance coverage, it added.

"The growth in health insurance coverage (28.9 per cent CAGR over FY14-FY16) is positive for the sector as it increases the addressable market size," the agency said.

However, profit margins will continue to be impacted by expansion plans across the sector, owing to long break-even periods for new facilities, it added.

"EBITDA margins and cash flow margins of companies operating in the sector will remain under pressure due to initial losses or lower profitability during the ramp-up phase of new facilities," India Ratings and Research said. The rating agency said that large corporate hospital chains would attract patients to their facilities on account of their established brands and ability to attract reputed doctors.

Source

"Hence, the sector will continue to witness significant interest from private equity and strategic foreign investors, looking at leveraging the established brands of regional or sub-regional players to create strong national or regional chains," it added.

Back

Health insurance coverage sees big jump in last 10 yrs – The Times of India – 5th March, 2017

Health insurance coverage in India has witnessed a sharp increase reaching 28.7% households in 2014-15 from merely 4.8% around 10 years ago, according to the latest National Family Health Survey. In fact, the penetration seems to be higher in rural areas than in urban India, making healthcare more affordable and improving health *indicators. The NFHS-4 data shows 29% households in rural India have at least one member covered by a health scheme or health insurance, as compared to 28.2% in urban areas.*

Expansion in India's health insurance coverage has helped improve various health indicators as more people are seeking treatment and medical services.

For instance, insurance penetration has resulted in significant rise in institutional deliveries reducing maternal and child mortality. Of the total deliveries, around 80% were institutional deliveries in 2014-15, up from 38.7% in 2005-06, according to NFHS-4. Though health insurance coverage continues to be driven by the government, latest data compiled by the Insurance Regulatory and Development Authority of India (IRDAI) shows Indians are increasingly buying private health insurance policies also.

Source

According to IRDAI data, premium collected by health insurance companies during 2015-16 jumped by a 21.7% annually to Rs 24,448 crore, indicating a growing trend of people seeking coverage.

Back

Money and Banking

Indian Bank revises FCNR (B) deposit interest rates – The Hindu – 2nd March, 2017

Public sector Indian Bank has revised its interest rates in foreign currency non-resident (banking) term deposits with immediate effect.

For FCNR(B) deposits, in USD terms, the revised interest rate is fixed at 2.33 per cent for deposits of one year and above, but less than two years, from the existing 2.26 per cent, a bank statement said.

For deposits of two years and above but less than three years, interest rates have been revised to 2.57 per cent from existing 2.52 per cent.

Interest rates remain unchanged at 2.78 per cent for deposits of three years and above but less than four years. Interest rates are also unchanged for deposits of four years and above but less than five years at 2.92 per cent, it added.

In another statement, the bank said it launched two technology products — Direct tax payment by debit card authentication and 'digilock' a mobile application for the customers.

Indian Bank, Managing Director and CEO, Mahesh Kumar Jain and senior officials launched the two new products yesterday.

The Direct Tax Payment by Debit Card authentication facility would help customers to pay the "direct tax" by using the debit cards. "As the payment is directly integrated without using any Payment Gateway Service Providers customers will not incur any charges", it said.

Source

Using the DigiLock customer application, the bank's customers can store and lock their credit, debit, net banking and mobile banking services through the facility.

Back

FinMin nod to ESOPs by PSBs – Financial Chronicles – 6th March, 2017

The Narendra Modi government has agreed in-principle to allow public sector banks to offer stock options to their employees from next financial year – a move that is aimed at retaining experienced hands with better incentives.

According to sources, employee stock option plans (ESOPs) could be given by those banks, which have not only earned substantial profit but also made remarkable improvement in managing non-performing assets (NPAs).

It will help motivate employees to work towards strengthening the financial status of their banks so that their share value rises, sources said.

An employee stock ownership plan (ESOP) is a qualified defined-contribution employee benefit (ERISA) plan designed to invest primarily in the stock of the sponsoring employer. ESOPs are "qualified" in the sense that the ESOP's sponsoring company, the selling shareholder and participants receive various tax benefits.

Although the finance ministry, headed by Arun Jaitley, has given in-principle nod, the finer details are being worked out like what percentage of profit can be earmarked for ESOPs, sources said, adding, this is based on the suggestion of Banks Board Bureau (BBB).

One of the proposals is to issue shares equivalent to a certain percentage of banks' net profit to employees, which is being examined.

For large banks, the ESOPs could be as much as 5 per cent of profit after tax while for the smaller ones, it could be about 3 per cent but no decision has been taken yet, sources said.

Apart from ESOPs, bonuses and other performance-linked packages are also being discussed as suggested by BBB, sources added.

ESOPs are common in the private sector, where companies offer stocks to reward and retain key and top-performing employees.

Since the employees stand to benefit from any appreciation in stock price, ESOPs also help in aligning the interests of the employees with those of shareholders. Earlier in January, BBB chief Vinod Rai had said that the compensation package across the board of public sector banks needs to be improved.

"Maybe we are not able to do much with the fixed part of compensation package but variable part we are hopeful that in the next financial year we will be able to introduce a far more attractive package, which will have bonuses, ESOPs and other performance linked incentives as part of the package," he had said.

It can be monetary or non-monetary benefits to make it more attractive for professionals to enter public sector banking space, he had said. Last year, the then Reserve Bank of India (RBI) governor Raghuram Rajan also made a case for offering ESOPs to bank staff.

"With public sector banks' shares trading at such low levels, a small allocation to employees today may be a strong source of motivation, and can be a large source of wealth as performance improves," Rajan had said.

The NPA clause in the ESOP plan is important because as of September 30, 2016, NPAs declared by various scheduled commercial banks in India stood at a stupendous Rs 6,65,864 crore, according to the government's reply in Rajya Sabha last month.

Source

According to the finance ministry data, NPAs of the country's largest lender State Bank of India is Rs 97,356 crore, followed by Rs 54,640 crore of Punjab National Bank and Rs 44,040 crore of Bank of India.

Back

Pensions

NPS subscribers can shuffle fund allocation twice a year – The Times of India - 2nd March, 2017

Pension fund regulator PFRDA has tweaked investment norms to allow subscribers of National Pension System to change their asset allocation twice in a financial year.

The new norms will come into effect from next financial year beginning April 1, the Pension Fund and Regulatory Development Authority (PFRDA), which is the regulator of NPS, said.

At present, NPS subscribers can shuffle their investments among equity, corporate bonds, and government securities only once a year.

"In order to provide more choices in terms of investment option and asset allocation the subscribers/corporates will have the choice for change of the investment option as well as asset allocation ratio two times in a year," the regulator said in a circular.

NPS subscribers get two options for investment - Active (flexibility to choose own asset allocation across equity, corporate bonds and government securities) or Auto Choice (investment is done as per the age).

They can allocate funds among equities, corporate bonds and government securities.

The government's flagship social security programme, NPS restricts investment towards Equities Fund to 50 per cent of contribution amount for both Tier I and Tier II accounts. However, subscriber can invest up to 100 per cent in corporate bonds or government securities fund.

The changes in the norms will be applicable for both the existing pension corpus as well as to the prospective subscriptions.

Source

The option will be available separately for tier 1 and 2 accounts.

However, the choice of change of pension fund remain only once in a financial year. NKD CS MR

Back

PFRDA mulls option of systematic withdrawal plan for National Pension System subscribers – The Financial Express – 3rd March, 2017

The Pension Fund Regulatory and Development Authority (PFRDA) is looking to give an option of having a systematic withdrawal plan (SWP) for National Pension System (NPS) instead of buying annuities. PFRDA is also in the process of to announce three more players to manage the NPS corpus in the next few days. "Recently at a meeting with the finance ministry, we provided our investors with an offer of systematic withdrawal plan (SWP), under which individuals will have an option to have between 15-20 years where they can withdraw a fixed sum from their pension fund.

Partial withdrawals has been exempted from tax and we are expecting SWP to also have similar treatment," PFRDA chairman Hemant Contractor said. Currently, the subscriber is required to utilize at least 40% of the accumulated wealth in the NPS account for purchase of annuity (pension), while remaining 60% can be withdrawn as lump sum. As per section 10(12A) of the Income Tax Act, 1961, 40% of the accumulated NPS corpus is exempt from tax at the time of withdrawal.

Currently, mutual fund houses in India provide SWP to investors, wherein they are provided with a specific amount of payout at pre-determined time intervals such as monthly, quarterly, half-yearly or annually. Senior officials in the industry say poor returns of annuities are the reasons why NPS has not picked up in the big way and regulator has to think of bringing in option of SWP.

In the 2015 Budget, finance minister Arun Jaitley had introduced an additional income tax deduction of R50,000 for contribution to NPS under Section 80CCD(1B). This is above the Section 80C limit of R1.5 lakh. The deduction is irrespective of the type of employment. So, a government employee, a private sector employee, a self-employed or an ordinary citizen can claim tax benefit. The money is managed by six fund managers appointed by the PFRDA.

Source

Contractor also added that, they are receiving positive response in the NPS as well as Atal Pension Yojana (APY). "We are getting many new people in both NPS and APY. In the non-government segment we are opening around 8,000 accounts every day under APY and 3,000 accounts in normal NPS," added Contractor. The Assets Under Management (AUM) under NPS have increased from R1,61,016 crore as end of December, 2016 to R1,66,847 crore as at the end of January, 2017 a rise of 3.62 % during the month of January 2017.

Back

EPFO introduces composite form for death cases also – The Hindu – 3rd March, 2017

The new document replaces existing forms 20, 5-IF and 10-D.

"... the central provident fund commissioner hereby prescribes composite claim form in death cases by replacing existing forms no. 20, 5-IF and 10-D. In the case of death of a member, the claimant may apply for claim of provident fund, insurance fund and monthly pension in this single form," an EPFO order stated.

On the purpose of the initiative, the order said, "The Employees' Provident Fund Organisation (EPFO) has embarked on its next phase of e-governance reforms with a view to making its services available to all its stakeholders in a more efficient and transparent manner."

Source

Earlier last month, the EPFO had introduced composite claim forms (Aadhaar and non-Aadhaar) by replacing the erstwhile forms 19, 10C and 31 to simplify the submission of claims by subscribers.

Besides, the EPFO last month did away with the practice of filing utlisation certificates for advances taken from PF accounts and allowed users to submit self-utlisation certificates.

Back

Narendra Modi govt looks to widen EPFO reach to cover more construction workers, set to cut employers' liability to 10% - The Financial Express – 6th March, 2017

Driven by a policy to extend social security benefits to workers who are currently outside its ambit, the government is considering lowering employers' liability towards Employees' Provident Fund (EPF) in the construction sector to 10% of the basic pay from 12% now.

Of an estimated over 3 crore workers in the building and construction sector, around just 15 lakh have EPF cover at present, as most builders, especially the smaller ones, keep fewer than 20 people on their payrolls to avoid the extra cost. It is mandatory for units employing 20 or more to provide EPF benefit to workers.

The labour ministry feels that by reducing the quantum of employer's contribution, it can persuade more building/construction units to extend the EPF benefits to workers. The construction industry has been pitching for this relaxation, contending that the current level of EPF liability was too onerous for it, especially since the units already pay 1% of the construction cost to the government as labour cess.

While employee contributes 12% of the basic pay to EPF, the employer contributes 8.33% towards employees' pension scheme and 3.67% to the EPF itself. Additionally, employers also pay 0.5% towards EDLI, 0.65% as EPF administrative charges and 0.01% as EDLI handling fee, taking the total contribution to 13.61%.

The idea is to cut their cumulative EPS/EPF contribution to 10% from 12%.

The labour ministry found the concern of builders and developers as "genuine" and was considering whether builders' contribution towards EPFO could be reduced to 10%, an official source said.

However, no change in their contribution towards ESIC, now 4.75%, was being considered, the source added. He said no amendment of the EPF Act would be required to effect the change; only the scheme required to be modified.

Jute, beedi, brick, coir and gaur gram factories are now entitled for lower (10%) EPF contribution by employers. So are units with fewer than 20 workers and "sick industrial companies."

Under a special package for the textile and garment sector unveiled in June last year, the government had committed to bear the entire 12% employer's contribution to EPF for the first three years in case of new employment— against 8.33% for other sectors under the Pradhan Mantri Rozgar Protsahan Yojana. However, in the case of the construction industry, the government has no plans to bear the cost but only to reduce the employer contribution.

Source

The Employees' Provident Fund (EPF) is a retirement planning tool. A member can withdraw the accumulations to cater to financial exigencies like a child's marriage, education and buying a home before retirement. She also gets pension benefits and insurance cover.

Back

Funds transferred from Provident Fund to National Pension System not taxable, says PFRDA – The Financial Express – 8th March, 2017

Regulator PFRDA today said funds transferred from provident fund account to National Pension System (NPS) account will not attract any tax. "The amount so transferred from recognised Provident Fund/Superannuation Fund to NPS is not treated as income of the current year and hence not taxable," it said while specifying procedure for effecting transfers.

Also, the transferred recognised provident fund or superannuation fund will not be treated as contribution of the current year by employee/employer and the subscriber would not be required to claim tax deduction, said a PTI report today.

In 2016-17 budget, the government had announced that the subscribers from recognised Provident Funds and Superannuation Funds would be able to transfer their corpus from these funds to National Pension System (NPS) without any tax implication.

A subscriber planning to transfer his PF funds will have to approach the Provident Fund/Superannuation Fund Trust through the current employer.

The Pension Fund Regulatory and Development Authority (PFRDA) said the NPS is gaining momentum in comparison to other retirement products and it was receiving a number of queries related to transfer of amounts to NPS.

Key highlights of making contributing under NPS scheme.

Purpose

National Pension Scheme is mainly aimed at providing benefit to individuals after retirement. In Tier 1, the contribution which is paid to the government is made by the employee. For Tier 2, no contribution is made by the Government. Here you can do additional tax savings and claim it under the IT Act.

Duration

NPS is a long term investment which is mainly done to accumulate wealth for your retirement, which is after 60 years of age and hence to be paid in the form of annuity. However, some percent of the accumulated wealth can be withdrawn at one go.

Eligibility

All working Indian citizens who are between the age of 18-60 years can apply for this scheme. Even NRI's are eligible and can make a contribution under the NPS scheme.

Rate of return

Since the contributions made under the NPS scheme are market-linked, the interest rate returns vary from approximately 9% to 12%.

Tax benefit

Source

NPS subscriber can avail tax benefits by doing additional contribution of Rs.50000 which is over and above the limit of section 80C that is Rs 1.5 lakh. This means that including section 80C and 80CCD you can avail maximum deduction of Rs 2 lakh.

Back

Modi government to give ESIC, EPFO benefits and Rs 20 lakh tax-free gratuity to thousands of formal sector workers – The Financial Express – 7th March, 2017

The Centre would soon extend benefits under ESIC and EPFO to the Anganwadi, ASHA and mid-day meal scheme workers in the country, Union Labour Minister Bandaru Dattatreya said here today. "We are going to give all Anganwadi workers, ASHA (Accredited Social Health Activists) workers, mid-day meal workers. 90 per cent of them are women. The idea is to give them ESIC and EPFO. They have been agitating for years now. They have no social security for them. They are serving the government, not private. I have formed a committee comprising Women and Child Development ministry, HRD ministry, our (Labour) ministry and Health ministry. I am pleased to tell you that Finance Minister has also agreed to this," he said.

Dattatreya was making concluding comments at a round-table conference he held with several prominent women personalities here on the eve of International Women's Day.

Noting that the NDA government has taken several major steps for the benefit of women work force in the country, he said the government is committed to provide 33 per cent reservation for women in legislatures and that it will talk to other political parties on the issue.

Observing that the government has initiated electoral and financial sector reforms, he said it is aware of the 33 per cent quota for women issue as well.

Orders have been given to provide 33 per cent reservation in recruiting police constables and seven states have come forward to implement it, he said.

Formal sector workers would soon be eligible for up to Rs 20 lakh tax-free gratuity as central trade unions have agreed on the proposal in a tripartite consultation with the Labour Ministry last month.

"Gratuity is very important. Gratuity, now they are getting Rs 10 lakh. I am going to increase Rs 20 lakh for all. I have done the tri-partite meeting. In the tri-partite meeting, employer and employee, both of them are agreeing," Dattatreya said.

Asserting that the government would strictly implement the equal remuneration act in all establishments, he said tough punishment would be given to those indulging in gender discrimination.

Dattatreya said he would recommend providing loans to women for procuring software tools to work from home (in the IT industry) and also discuss the issue with Finance Minister.

Source

He said he would work out in his ministry on assuring same level of employment for women after maternity.
On a suggestion from the participants, he said he would talk to Health Minister J P Nadda on opening medical colleges for women, especially in rural areas.

Back

GPF withdrawal rules relaxed; 15-day limit for getting money – Financial Chronicle – 9th March, 2017

In good news for about 50 lakh central government employees, the norms for withdrawal of general provident fund (GPF) have been relaxed which will enable them to receive payments within 15 days.

Employees can also withdraw the fund for select purposes after completing 10 years of service, as against 15 years of service earlier.

The GPF can be taken for education — including primary, secondary and higher education, covering all streams and institutions. Earlier, a subscriber could withdraw GPF for beyond the high school stage.

"Some amendments have been made (in rules) from time to time to address the concerns raised by the subscribers. However, the provisions, largely remain restrictive. There is a felt need to liberalise provisions, raise limits and simplify the procedure," the ministry said.

The provisions in the rules have been reviewed and it has now been decided to permit withdrawals from the fund by the subscriber for obligatory expenses viz. betrothal (engagement), marriage, funerals, or other ceremonies of self or family members and dependants, besides illness of self, family members or dependants, it said.

"It has been decided to permit withdrawal of up to twelve months pay or three-fourth of the amount standing at credit, whichever is less. For illness, the withdrawal may be allowed up to 90 per cent of the amount standing at credit of the subscriber. A subscriber may seek withdrawal after completion of ten years of service," the ministry said in an order to all central government departments.

The GPF can be withdrawn for purchase of consumer durables also.

Existing rules do not give any time limit or sanction and payment of withdrawal amount.

"Therefore, it has been decided to prescribe a maximum time limit of fifteen days for sanction and payment of withdrawal from the fund. In case of emergencies like illness etc., the time limit maybe restricted to seven days," the order said.

Now, the employees also do not have to furnish anydocumentary proof in support of their request to withdraw from GPF except for a self-declaration.

In all cases of withdrawal from the fund by the subscriber, the declared head of department (HOD) is competent to sanction withdrawal.

"No documentary proof will be required to be furnished by the subscriber. A simple declaration form by the subscriber explaining the reasons for withdrawal would be sufficient," the order said.

At present, withdrawal of up to 90 per cent of balance without assigning reasons is allowed for government servants who are due for retirement on superannuation within a year.

It is proposed that this may be allowed for up to two years before superannuation, it said.

Source

The GPF can be withdrawn for purchase of motor car, motor cycle, scooter, etc. Or for repayment of loan already taken for the purpose, as per new rules issued by ministry of personnel, public grievances and pensions.
The amount will also be made available for making deposit to book a car or motor cycle, besides their extensive repair or overhauling, it said.

Back

Difficult to move back to old pension system: PFRDA – The Economic Times – 8th March, 2017

The government might find it difficult to move back to general provident fund (GPF) pension system which was discontinued due to its huge fiscal burden, the pension fund regulator PFRDA said today.

The comments came against the backdrop of government employee associations demanding restoration of old pension system which was replaced with contribution-based National Pension System (NPS) in 2004.

Labour Minister Bandaru Dattatreya last week had said that he would discuss the matter with Finance Minister Arun Jaitley.

"The government brought in NPS because the old system was proving to be fiscally burdensome very much. So, because of that you can't go back to that. It will become very difficult for the government," PFRDA Chairman Hemant G Contractor told PTI.

The Pension Fund Regulatory and Development Authority of India (PFRDA) manages NPS.

Initially launched for central and state government employees, NPS now covers private institutions as well as workers in unorganised sector.

Government employee associations are saying that NPS requires employee contributions and has no benefits like insurance which were offered by old GPF pension system.

Contractor said the only agenda for those batting for old system is that it was non-contributory.

Source

PFRDA today gave away awards to various central government departments for maintaining their NPS data meticulously as well as for prompt settlement of claims.

Operational issues were also highlighted to the central government representatives, Contractor said.

Back

NPS fund managers: All bidders to get licence – The Hindu – 8th March, 2017

In a significant move, pension regulator PFRDA has decided to award pension fund manager (PFM) licences to all the nine entities that had bid for managing private sector schemes of the National Pension System, a top official said.

"All the nine are going to get it. Our board had recently discussed it and decided to this effect. They (nine bidders) were meeting all the criteria and there is no reason to reject any of them," Hemant Contractor, Chairman, PFRDA, told BusinessLine here on Wednesday.

Differential pricing model

Contractor said the names of these nine entities would be formally announced in the next 10 days by when the minutes of the board meeting are expected to be ready.

This PFRDA decision is significant as it will be for the first time ever that PFMs will operate under a "differential pricing" model for managing the private sector schemes of NPS.

Ushering in "differential pricing" is expected to make the pension sector more "market-driven" and ensure that NPS subscribers can make an informed choice. Allowing differential pricing is expected to open a new area of competition, bring in competition among PFMs in terms of fee structure and service standards.

PFRDA had, in September last year, issued the request for proposals (RFPs) for appointing new PFMs.

This was also the first time that PFRDA had invited bids for appointment of PFMs, post its statutory recognition (PFRDA Act 2013) and the framing of Pension Fund Regulations in 2015.

There were nine bidders — six from the private sector and three from the public sector.

They had bid for a management fee that ranged from 0.07 per cent to 0.1 per cent. In the RFP, the pension regulator had capped the investment management fee at 0.1 per cent per annum (10 basis points).

Currently, private sector schemes — with assets under management (AUM) of about ₹15,000 crore — are being managed by eight professional pension funds, including three from the public sector.

The new PFMs — who will operate under the differential pricing model — will have to again register with the PFRDA. They have to fulfil a minimum net worth of ₹50 crore for both the sponsor and the Pension Fund. Also, this time round, it has been specified that a PFM can be appointed for a maximum period of five years. No specific time period was earlier mentioned.

Atal Pension Yojana

Contractor said the PFRDA has made two recommendations to the government so as to expand the scope of Atal Pension Yojana (APY), a guaranteed pension scheme for the unorganised sector.

"We want to increase the eligibility age band from 18 to 40 years to 18 to 50 years. We also want to increase the amount of pension. Right now it is available from ₹1,000 to ₹5,000.

Source

The feedback we are getting from the market is that pension of ₹5,000 at age of 60 is not much," Contractor said. As on date, the number of APY subscribers is 46 lakh with contribution of about Rs.1,400 crore.

Back

Regulations

India: Regulator to start insurance product "sandbox" – AIR – eDaily – 7th March, 2017

General insurers in India can look forward to launch a product for corporate clients for a particular period in a defined area on a pilot basis after informing the regulator, IRDAI.

Based on the response received for the product, the insurer would able to either file it for final approval or withdraw/tweak it based on the feedback received, reported Moneycontrol.

By testing the product in the market first, the insurer will also be able to save costs and marketing expenses. The practice currently for insurers is to conduct trials on new products with small target groups.

A senior IRDAI official said that the regulator will give the go-ahead for pilot products so that appropriate products suiting a customer in a particular category based on his/her income, profession and lifestyle can be designed and tested first. This "sandbox" is recommended by a working group set up to look into such experimenting.

However, the file-and-use process will continue for retail insurance products. This means that a product first needs to be filed with the IRDAI for approval. Only after the insurer has received IRDAI's nod can it start selling the product in the market.

Source

The insurance industry had asked for a use-and-file system for some product types to co-exist with the file-and-use system so that insurers can respond to customer requirements more quickly.

Back

IRDAI clears different licences to new players – The Economic Times – 8th March, 2017

Insurance regulator Irdai has cleared different levels of licences to a host of new players in the insurance industry in non-life and reinsurance spaces in its recently held board meeting.

However, not a single licence was cleared by the insurance regulator for any player on life space as it didn't receive any such application this time.

Insurance and reinsurance companies promoted by billionaire investors like Warren Buffet and Narayana Murthy have been given regulatory clearances by the Irdai for their Indian foray, industry sources told PTI here today.

Gen Re, one of the reinsurance multinational companies, promoted by Warren Buffet has received second level of regulatory clearances or R2, while Acko General Insurance, a domestic firm backed by Infosys founder NR Narayana Murthy, has received preliminary licence to set up their operations in the country, the sources added.

Irdai in its board meeting held on March 3 has cleared different level of regulatory clearances to the new companies intending to enter country's insurance industry.

Domestic firms like Dewan and Edelweiss have also been given second level of regulatory clearances or R2.

However, they will be able to kick off their operations in the country on receiving the final approval or R3 licence only.

However, not a single licence was cleared by the insurance regulator on life insurance space for a simple reason that it didn't receive any such application from the industry which was not only having a long gestation period, but also huge capital-intensive one.

Buffet's Gen Re is likely to join other global top reinsurers like Munich Re, Swiss Re, Lloyd's, SCOR, RGA and XL Catlin to kickstart its direct operations in the country in form of a branch.

Gen Re has an exposure for the Indian market in terms of life and health business on an offshore basis and has service company in the country since 2006.

The global reinsurer is expecting to receive the final regulatory licence-R3-soon and is eyeing for April 1 renewal for starting its business.

Acko General Insurance was registered on November 3. Three directors were mentioned by the company in a filing at the Ministry of Corporate Affairs, including Varun Dua, Ruchi Deepak and Deepak Angrula.

Lombard, one of the subsidiaries of Fairfax Financials which is owned by Canada based Indian billionaire Prem Watsa is already having an existing joint venture-ICICI Lombard General Insurance in the country where Lombard holds 36 per cent in the joint venture.

Source

Irdai has also given its preliminary licence to Fairfax for its second joint venture with another Indian company, Oben Insurance with some rider.

At present, there are 24 players on the life insurance space which include LIC and 30 players on the non-life insurance space which include four state-owned, two specialised and six stand-alone health insurers.

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Circulars

Source

Exposure Draft on Premium Rates for Motor Third Party Insurance Covers for the Financial Year 2017-18 dated 3rd March, 2017

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Source

Guidelines on Claim processing for Group Insurance Policies – Addition of new Categories of Master Policyholders – Circular Ref: IRDAI/Life/Cir/GDL/049/3/2017 dated 3rd March, 2017

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Exposure Draft On "Information and Cyber Security Framework for Insurance Sector" – Circular Ref: IRDA/IT/ MISC/MISC/047/03/2017 dated 2nd March, 2017

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File & Use procedure for minor modifications under existing products and riders offered by Life Insurers – Circular Ref: IRDA/ACT/CIR/MISC/054/03/2017 dated 7th March, 2017

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Approach on the un-reconciled, unsettled outstanding reinsurance balances as on 31st March, 2014 – Circular Ref: IRDA/BRK/MISC/CIR/050/03/2017 dated 8th March, 2017

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Cyber Security

Coming, cyber security framework for insurers – The Hindu – 6th March, 2017

Insurers will soon have to adopt a comprehensive framework for information and cyber security.

The Insurance Regulatory and Development Authority of India (IRDA) has readied the framework, which is likely to be finalised soon.

"Cyber security in the financial sector has gained importance, more so with the advent of technological innovations. In this connection, IRDAI has planned to come out with a comprehensive information and cyber security framework,'' AR Nithiyanantham, Chief General Manager (IT), IRDAI, said in a circular to insurers.

The proposed framework will cover all layers of security such as data, applications, operating systems and network layers, besides legal aspects pertaining to cyber crimes, the official said.

Data security

According to the proposed guidelines, insurers will have to focus on stringent data security, among a host of other issues.

In view of the high consumerism, the rise of cloud computing, increased importance of business continuity, persistence of cyber crime and increased exposure to internal threats, data protection will continue to be a significant challenge, the regulator said.

"Hence, at every stage of data life-cycle, organisations shall ensure due care of security... consistency and accuracy of data entered into the system should be verified through a maker-checker process," it said.

The audit trail of data access shall be maintained and secured to ensure the integrity of the information captured, including preservation of evidence. Retention of audit trails should be in line with business, as well as regulatory and legal requirements, the guidelines state.

Role of board

The boards of the insurers should endorse the overall approach to information security policy and strategy and information security assurance programme, including cyber security.

Every organisation should appoint/designate a suitably qualified and experienced senior level officer exclusively as Chief Information Security Officer (CISO) who will be responsible for articulating and enforcing the policies.

The new framework will be made applicable to all organisations regulated by the IRDAI besides other entities/individuals dealing with regulated organisations.

Source

The draft framework has been prepared by a working group of industry and technology experts formed by the regulator in October 2016.

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Cyber insurance: Cover still insufficient, government should play a role – AIR – Asia Risks – 8th March, 2017

A dedicated cyber insurance market is developing rapidly, but the scope of cyber cover so far is modest relative to potential exposure. Businesses need to do much more to integrate cyber security into their risk management programmes and governments may need to step in as a last resort, said Swiss Re's latest sigma report, "Cyber: getting to grips with a complex risk".

Firms found wanting in cyber risk management

Cyber risk is a growing concern for businesses, and recent attacks have demonstrated that costs of a cyber breach can escalate well beyond managing the fallout of lost or corrupted data, but cover has not matched the potential exposure and magnitude of costs. Firms also need to consider other potential damage to reputation, physical and intellectual property and disruption to business operations, said the report. Despite increased awareness of the dangers, firms are generally ill-prepared to cope with cyber risks. Relatively few firms have integrated cyber security into their mainstream risk management.

Growing market but still insufficient cover

Many firms are looking to transfer cyber risks to third parties better-placed to absorb them and at the same time "a dedicated cyber insurance market is developing, and an increasing number of insurers are looking to write more business in this specialty line," said Mr Kurt Karl, Swiss Re's Chief Economist.

Dedicated cyber insurance typically covers data and network security breaches and associated losses, with today's capacity from US$ 5 million to US$ 100 million. However, some significant cyber-related risks remain largely uninsured and the scale of existing cover is modest relative to companies' overall potential exposures.

Government should step in

Swiss Re said some of the "uninsurable risks" – include those related to extreme catastrophic loss events like widespread disruption to critical infrastructure and networks which could lead to accumulated losses, and suggested a role for government-sponsored back-stops in these cases; akin to the state support for protection against catastrophic terrorism risks.

Regulation could be a catalyst for change with legislation coming into force in many jurisdictions requiring firms to build enhanced data protection safeguards, the report said. It noted that governments also have an important role in promoting cyber resilience, including measures to improve cyber information capture and diffusion, and setting laws and regulations about how cyberspace is used and protected. By reshaping incentives and increasing awareness of cyber threats, governments can further nudge the private sector into developing improved market-led solutions.

Industry efforts to improve cyber risk management

The report said that the key factor hindering the development of insurance solutions is linked to the intrinsic nature of cyber risks. They are complex and difficult to quantify, especially given the fast-changing technological environment and lack of historical cyber-related claims data.

Nonetheless insurers and risk analytics firms are still experimenting with different approaches to cyber risk modelling, coming up with better, standardised ways to better identify, quantify and report cyber exposure and develop better products, which will be helped by ongoing industry developments to improve data collection and dissemination. Insurers are also seeking partnerships with cyber security firms. A crucial factor influencing the pace of innovation will be the capture and analysis of relevant data and threat intelligence needed to underwrite cyber risks accurately.

The report suggested that another way to increase overall loss-absorbing capacity for cyber risk is by developing investment vehicles that enable capital market investors to take some of the exposures, such as nascent initiatives to develop ILS that cover risks like cyber,

Source

This sigma is the first to be published under the aegis of the "Swiss Re Institute", which was formally launched on 1 March 2017 and will bring together Swiss Re's research and outreach functions under one roof. The full report can be found under the link http://media.swissre.com/documents/nr20170301_sigma_1_2017_en.pdf

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Marine industry's first cyber safety notation issued – AIR – Asia risk – 8th March, 2017

The marine and offshore industries' first notation for cybersecurity implementation has been issued by the American Bureau of Shipping (ABS), a global classification and technical services society for the sector, to an undisclosed client.

"The focus on cyber safety is increasing, and that is changing the expectations industry has for classification services," explained ABS Chairman, President and CEO Christopher J. Wiernicki on the notation for the ABS Guide for Cybersecurity Implementation for the Marine and Offshore Industries.

The ABS CyberSafety® program aims to mitigate the risk of cybersecurity-related conditions or incidents that could negatively affect operations. It is an optional class notation, which can potentially help shipowners evaluate vessel cyber risk as hacking vulnerabilities increase.

Before awarding the CS1 notation (Asset, Basic-level, Informed Cybersecurity Implementation), said to be an industry-first, ABS worked closely with the client, reviewing and assessing cybersecurity documentation and the cybersecurity system to more effectively protect industrial control systems from a cybersecurity-related incident or failure on their offshore assets.

The shipping industry has grown to be increasingly at risk of cyber attacks. Even the conventional threat of piracy has taken on a cyber threat aspect, as pirates grow tech-savvy. In a report from cybersecurity company Verizon last year, its researchers found that pirates had hacked a global shipping company's content management

systems, which enabled them to identify containers carrying the most valuable cargo. This helps them to increase their haul and reduces their chances of getting caught.

Source

Founded in 1862, ABS is an international classification society which focuses on promoting the security of life and property and preserving the natural environment through the development and verification of standards for the design, construction and operational maintenance of marine and offshore assets.

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Global

Singapore: Launch of national scheme to build cybersecurity talent in government – AIR – Asia Risk – 8th March, 2017

The Singapore government will introduce a Cybersecurity Professional Scheme to attract, develop and retain cybersecurity practitioners in the public sector, said its Minister for Communications & Information (MCI) Dr Yaacob Ibrahim.

The scheme will be centrally managed by the national Cyber Security Agency of Singapore (CSA) and will develop a core of specialists to be deployed across the public sector to support the city-state's cyber defences. It will be operational from July this year, said MCI.

"As part of the on-going efforts to professionalise the wider cyber workforce, the scheme will also provide a framework to catalyse growth and uplift the overall industry," Dr Yaacob, who is also Minister-in-charge of Cyber Security, added.

He also told local media that there are currently about 300 officers doing cybersecurity work in the public sector, and the Government hopes to double this over the next few years.

The specialists can choose to build deeper technical competencies across the Government in areas such as security-by-design consultancy and cyber forensics.

Dr Yaacob also noted the industry's participation in Singapore's cybersecurity efforts. For example, mobile operator SingTel will be launching an interactive online portal on the topic for students to instil an interest in cybersecurity.

The latest scheme is just one of many efforts to shore up cybersecurity in the city-state. Just last week, its Defence Minister announced the formation of a new cyber command, the Defence Cyber Organisation, and also rope in national servicemen in a new cyber-defence unit under the Singapore Armed Forces.

Other measures include the gradual implementation of an Internet Surfing Separation policy across the public service, creating an 'air gap' between computers with access to critical government services and the wider Internet, and a slew of education and manpower schemes to build up a skilled cybersecurity workforce in the coming years.

Source

The increased focus on cybersecurity comes amid the rise in cyber threats to government systems. Last week, the Singapore Ministry of Defence announced that its Internet-facing systems were breached in February and data of 850 national servicemen and staff stolen.

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Australia: Financial advisers call for timely underwriting – AIR – eDaily – 7th March, 2017

The Association of Financial Advisers (AFA) is calling for all life insurance to be underwritten at application time to ensure a better claims experience for consumers.

Buying life insurance over the phone or online after just a handful of questions should set off alarm bells, AFA warns. It means the policy has not been underwritten and at claim time, consumers may well find out they were never covered.

AFA CEO Brad Fox said while over the past few years the opportunity to access life insurance directly has opened to consumers, this accessibility has not transpired into a better claims experience, a situation the AFA argues could be changed with timely underwriting.

"Clearly, the consumer experience when purchasing direct life insurance may be perceived as better because the customer only has to answer a handful of questions, doesn't have to go through the underwriting process, can

make the purchase via credit card and have immediate cover put in place," said Mr Fox. "But what have they actually bought? What happens at claim time?"

"It is absolutely clear that the best way to reduce the risk of a policy not paying out at claim time is to see a financial adviser to arrange your life insurance needs," he said. "It will take longer to put the insurance in place because it will be carefully underwritten in line with your individual medical and family history before it is offered to you. This gives you greater certainty that you are covered if you have a claim."

Mr Fox said consumers don't have the same certainty with buying life insurance directly because these policies are not usually underwritten until the claim is lodged.

Source

"At claim time, if a direct insurer determines you had health issues back when you purchased the policy, or even in the years before, they may only refund the premiums and not pay out," he said. "We think that is unconscionable." Financial advisers arrange around half of the life insurance in Australia.

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