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QUOTE OF THE WEEK

"A successful man is one who can lay a firm foundation with the bricks others have thrown at him."

David Brinkley

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Insured declared value

Insured declared value (IDV) is the monetary value of a vehicle as fixed by an insurer. IDV is the current market value of your vehicle, less depreciation. It is the maximum sum insured (amount payable) for your vehicle, in case of total loss or theft.

To arrive at IDV, insurers consider details such as registration year and date, make and model, and the actual price of the vehicle adjusted for depreciation. The rate of depreciation depends on the age of the car. In case of a new car, IDV is usually calculated based on the manufacturer's listed ex-showroom price, minus 5 per cent depreciation. For vehicles that are more than five years old, IDV is calculated based on the vehicle's assessment by surveyors from the insurance firm.

Your premium will depend on the IDV. Hence, while some policies may appear cheap, it may solely be due to a lower IDV. So, ensure that you don't understate your IDV as it could leave you with inadequate cover; overstating the IDV could cost you a very high premium.

Source

INSURANCE INDUSTRY

Insurers want 100% stake in InsurTech startups - The Economic Times – 9th March 2019

Fintech, long a buzzword in banking, has reached the shores of insurance companies who are lobbying the regulator to have a bigger say in stake holding.

Insurance companies want to own and nurture startups with 100% stake from the current 10% cap the regulator has put on holding.

"We want to buy all 100% in InsurTech companies, which align with our business," said Prashant Tripathy, CEO, MaxLife Insurance.

"We, as an industry, have made a presentation to Irdai to allow us to own 100% in these companies." Many insurance companies still rely on legacy software.

Lately, though, they have dedicated teams to monitor new technologies to be able to understand their true potential for disruption and are keen to invest in technology companies that they perceive can disrupt the insurance industry.

Companies in the insurance innovation space are focused on building digital platforms, which are aggregators and robo advisors using machine learning and usage-based selling.

Insurers are using technology that aids fraud detection at the point of underwriting and also for assessing risk — for example, the use of wearables in the context of 'diagnostics' for better underwriting. There are a dozen insurance aggregators that help customers compare policy features and assist in buying. Others use sensors that stick to the skin and are used for fitness monitoring, glucose level monitoring to track health.

In life insurance, companies are using either in-house or outsourced big data or artificial intelligence for underwriting.

Regulator Irdai has said in the past that when it comes to product design and pricing, details of cognizance of usage of wearable/portable devices should be part of the product filing and such products should first be tested in the sandbox environment or on a pilot basis.

It is working on the aspect of creating a regulatory sandbox to encourage InsurTech in the Indian landscape.

(The writer is Shilpy Sinha.)

TOP

Source

Insurers to seek IRDAI clarity on banks holding stake in sector companies – Moneycontrol – 8th May 2019

Life and general insurance companies are planning to seek a clarification from the insurance regulator on its position on bank-led firms. Reserve Bank of India (RBI) has in the past expressed discomfort over banks holding large stakes in insurance companies.

"With a majority of insurance companies having banks as promoters and investors, we want clarity from Insurance Regulatory and Development Authority of India (IRDAI) on their stand on this issue," said the chief executive of a large private life insurance firm.

Sources said that a few banks have expressed their interest in acquiring stake in insurance companies. However, they are waiting for a nod from the banking regulator on the next course of action.

Till now, IRDAI has not expressed any concerns about banks holding large stakes in insurance companies. They have only stated that banks must seek permission from the banking regulators for stake purchase. Banks who wish to hold 5 percent or more stakes in an insurance company have to explicitly seek permission from RBI for this purpose.

Who wish to hold 5 percent or more stake in an insurance company have to explicitly seek permission from RBI for this purpose.

In an interview to *CNBC-TV18*, Axis Bank CEO Amitabh Chaudhry said that a possible deal with Max Life Insurance can only move forward if they have the support of the regulators. He added that RBI has made it clear that they are not in favour of banks holding a large stake in insurance companies.

In the past, RBI expressed concerns about large institutional investors like Life Insurance Corporation of India (LIC) holding a high quantum of stake in banks.

Since both banks and insurance companies are in the financial services sector, lenders use insurers as a channel for growth. On the other hand, insurers with bank promoters find it easier to sell products using the branch networks of the banks.

A host of state-owned banks like Allahabad Bank, Andhra Bank and Indian Overseas Bank are looking to sell their stakes in their insurance ventures. Responding to this, a few private banks have expressed interest in the venture but clarity is being awaited on this matter.

Once IRDAI gives a clarification on this matter, deals that are stuck can be taken forward. Almost 50-55 percent of business for insurance companies comes in from banks and bank-led distribution channels.

(The writer is M Saraswathy.)

TOP

Source

Can insurance industry make better use of big data analytics? – Mint – 5th May 2019

Big data has helped the financial services industry, including the insurance industry, evolve like never before. More and more traditional insurers as well as insurtech companies are using data analytics to improve customer experience. But are insurers utilizing big data to its fullest capacity or is there scope to do more? The insurance regulator has already allowed a sandbox, a mechanism to promote and facilitate innovation, and now the Reserve Bank of India has proposed a sandbox for fintechs.

Disha Sanghvi asks experts if this will lead to better utilization of big data and more innovation in the insurance space.

Shivakumar Shankar, Managing director, India, LexisNexis Risk Solutions
Use big data not just for sales but also for pricing, risk assessment

Insurers are sitting on a pile of data but they are not able to use it to the maximum capacity. The reason is that not all data is digitized. Further, data that has been digitized is spread across different systems within the insurance companies, which may not be integrated. Lack of credible third-party data is also an issue. Several insurers have started implementing big data approach but only for their marketing campaigns. There is scope for efficient decisions based on big data not just in customer-facing functions like sales or claims servicing but across the insurance continuum like in areas of product development, pricing, risk assessment, fraud and management.

The challenge for the insurance industry is innovating products and distribution channels to serve new customer needs. Sandbox could help open out innovations to be tried on a smaller scale and bring in the ability to try different ideas internally and externally, and in some cases partnering with competition. In the long run, it will help bring more innovations to the market.

Abhishek Bondia, Principal officer and managing director, SecureNow.in Insurance Broker
Behaviour analysis can help customize products

Insurance products will benefit most from big data. Insurers have a handful of products in each category that are used across distribution channels. This one-size-fits-all approach fails to serve our heterogeneous population. The regulator recognizes this, which is why insurance products are identified as a category for regulatory sandbox. Customer needs, perceived value and affordability varies substantially.

There is much to learn from the consumer goods sector, where products are tailored for each customer segment. Introduction of sachets, product positioning at aisles and billing counters, and bundling and offering a bouquet of products at incremental price points are areas that have served the consumer goods sector well.

Insurers have a lot of data that is not fully leveraged. Behaviour analysis at different stages of the buying process can throw insights on factors that influence purchase. This understanding can then be used to customize products and test them in a controlled environment. Sandbox will help achieve that.

Goutam Datta, Chief information and digital officer, Bajaj Allianz Life Insurance Co. Ltd
Sandboxing will help insurers innovate and test products

The insurance industry enjoys a large amount of data. It's been used to either up-sell or service customers better or to detect and prevent fraud. Data scientists are able to further leverage the technologies available to create enhanced customer engagement. However, the biggest challenge that, as an industry, we must aim to conquer is that of data-sharing capability and capacity within insurers. Further, we should be able to have a system towards sharing information that is within the guidelines of the privacy norms and ensuring there is no mis-utilisation of data that is shared. Big data and its benefits are huge within the life insurance segment, and while we are seeing the benefits, much more can be accomplished.

Sandboxing approach gives us tremendous encouragement to further innovate and test products and services that truly benefit the consumer. Tech-enabled services (for customers and sales force alike) truly reduce time and increase efficiencies. The next phase for us will be how to make these processes faster and simpler.

Varun Dua, Founder and CEO, ACKO General Insurance Ltd
Industry needs to do a lot of ground work to collect data

There is a long way for the Indian insurance industry to go in terms of using big data. With no physical products to manufacture, data is arguably one of the most important assets for insurers. Both, existing insurers and newcomers are developing insurance products and processes that use a large amount of data to assess the price, and to predict and prevent risks that were considered uninsurable in some cases.

The industry has to rejig the mode of distribution where most of the data should be captured upfront. It needs a lot of groundwork in terms of creating awareness among intermediaries, service providers and consumers.

Sandbox is a new initiative taken by the regulator and it looks very promising and will help insurers try out ideas in a contained experimental mode without having to go through an otherwise elaborate comprehensive process. It will also help the regulator check the benefit and viability of an idea before enabling a full launch. This will certainly accelerate innovation and help insurers deliver better products.

(The writer is Disha Sanghvi.)

TOP

Source

Irdai chief stresses on need to improve corporate governance - The Economic Times – 4th May 2019

The insurance regulator called upon all companies to look at corporate governance standards to be fair, transparent, trustworthy and financially sound.

"Companies should look at corporate governance and related party transaction," Subhash Khuntia, chairman, Insurance Regulatory and Development Authority (Irdai), said at the annual insurance conference of the Federation of Indian Chambers of Commerce and Industry on Friday. "Insurance industry should provide stability if there is economic turmoil."

While expressing confidence that the insurance industry will not run into the kind of problems faced by non-banking financial companies, which are battling massive liquidity issues, the Irdai chairman asked insurers to classify exposure to IL&FS as non-performing loans and make provisions.

"I suggest don't be too bothered about improving market share," said Khuntia. "If growth is high, you don't have to bother about market share. Put your heads together to make the market grow."

He said that in the first year of liberalisation, India had just five life and nine non-life insurance companies. Both the number rose to 15 in the next four years. During the first five years, however, only three life and 13 non-life companies reported operating profit. "You must remain financially sustainable," said Khuntia.

There are 24 life insurance companies and 34 non-life insurance companies. Last year, the overall rate of growth of premium was 13%, higher than the economic growth of the country. Of the life insurance companies, 21 reported operational profit compared to 25 in the nonlife sector.

Khuntia called upon non-profitable companies to introspect. “Those struggling will have to change course and see that long term sustainability is ensured,” he said.

The insurance regulator is working on establishing risk-based capital system, a self-regulating mechanism where those who manage risk better will be allowed to operate with lower capital. It is working on risk-based supervision and introduction of IFRS (International Financial Reporting Standard) 17.

“I am not in favour of unnecessary control but would like to have broad regulations, and within that self-regulation on your part,” said Khuntia.

TOP

Source

LIFE INSURANCE

Term Insurance Plan: Best Bet for Married Couples? – Outlook – 9th May 2019

The most basic purpose of a term insurance plan is to provide financial security for the family in case of the demise of the earning member. However, many a times married couples cannot decide on the correct plan.

Most life insurers offer two types of term plans --- return of premium term plan and normal term plan. Commenting on the importance of a term plan, Madhu Burugupalli, Head of Products, ICICI Prudential Life Insurance, said, “A term plan in its purest form is one, which pays out a lump sum amount on the demise of the insured individual during the tenure of the policy. These plans offer a large cover at non-refundable nominal premium. In return of premium (ROP) term plan, all the premium paid, are returned, if the policyholder survives during the tenure of the policy.”

Let us look at the difference in the premium for both the options. A 40-year-old non-smoking male can get a pure term insurance plan with a life cover of Rs 1 crore for a premium of Rs 17,000 per annum for policy tenure of 30 years. With all parameters remaining the same a ROP term insurance plan will cost the individual Rs 43,000 per annum, indicating an extra payment of Rs 26,000 per year for the next 30 years. Instead, investing this extra premium of Rs 26,000 in a long-term savings product has the propensity to yield significantly high returns over a 30-year period.

Here are a few other important criteria that customers should look at before making a purchase decision;

1. Consistently high claims settlement ratio
2. Turn-around-time (TAT) for claims settlement that is, the time taken to settle genuine claims
3. Customer grievance ratio – the lower the better
4. Robust digital platform
5. Ease of on-boarding
6. Ability to raise claims through online channel
7. Electronic settlement of claims
8. Comfort with the brand

Married couples can buy joint as well as separate term plans according to their income and affordability. According to industry experts, a separate term plan is the best option for a couple where both spouses are earning. Potential policyholders should evaluate the features that are being offered by term plans and their suitability to their individual requirements.

Burugupalli further added, "In joint life term plans for married couples the payout of the sum assured happens on a first claim basis, that is, the claim amount is paid out on first demise. Thereafter, the life cover ceases for the second life. So, claim payout to the husband or wife is dependent on the other partner's survival. Also, in future if the surviving partner seeks to purchase a new term plan, it will be more expensive or may not be available due to increased age or if they have been diagnosed with any health or medical problems since the original cover was taken."

Experts also recommend that earning couples should nominate the other partner as the beneficiary in case separate plans are purchased. This will ensure that the claim payout enables the surviving partner to pay off financial liabilities as well as continue with the financial savings plan without much disruption.

It is important for policyholders to truthfully disclose all information requested for at the time of buying insurance. Withholding information will result in the claim being denied and defeating the very purpose for, which the term insurance was bought. Insurers rely on technology and these days, claims are often paid out electronically, ensuring that the claim proceeds are available to the beneficiary at the earliest.

(The writer is Nirmala Konjengbam.)

TOP

Source

Insurers breach expense limit, seek tweak in norms - The Economic Times – 8th May 2019

Many insurance companies have breached their expense limit set by the regulator in par endowment products, and are now seeking exemptions in meeting the norms. Industry CEOs took up the matter at a recent meeting with the regulator, and called for putting the expense limit at an aggregate level rather than at the segmental level.

"We suggested that expense of management (EOM) guideline should apply to all products and not at the segment level," said Prashant Tripathy, managing director at Max Life Insurance. "When the rule is applied at the product level, some companies breach the limit in certain segments such as par pension."

As of now, the expense caps are described according to product categories and the number of years a company has been in operations. For regular premium policies, up to 100% of the first year's premium and 20% of renewal premiums can be spent in expenses for companies that are in operation for four years. But if the company is in operation for 8-10 years, then the limit on expenses in the first year is capped at 93% of the first-year premium and 19% of the renewal premium. Now, industry insiders said, if a 10-year-old company starts health business or pension business, it starts to breach the EOM norms.

"EOM is supposed to be seen at the maturity stage," said the CEO of a life insurance company who requested not to be named. "Invariably many people are failing in pension EOM."

Under Section 17D of Insurance Rules 1939, the regulator defines the expense of management for life insurance companies, to protect the participating policyholders. For other parts of the business, which are non-participating, shareholders incur expenses.

In the last set of norms, the regulator laid down norms for immediate annuity, deferred annuity, and single premium. Under participating products, policyholders pay for 90% of the cost while 10% is borne by shareholders.

In case of non-participating products, 100% expense is paid by shareholders. Term plans, which are pure protection, are non-participating, while savings and money back plans fall under the participating categories.

(The writer is Shilpy Sinha.)

Source

TOP

Cyclone Fani aftermath: Insurance claims may cross Rs 2,000 crore – Moneycontrol – 7th May 2019

The after-effects of Cyclone Fani is still being felt in Odisha four-days after it made landfall on May 3 with several areas reporting severe damage to land and property. Insurers said losses have already touched Rs 2,000 crore with majority of claims coming in from crop and property insurance holders.

"We are still assessing the damage. However, initial reports peg the losses around Rs 2,000 crore. This could well be revised upwards since several claims of property destruction are coming up," said the claims head at a mid-sized private life insurer.

A single-point helpline will soon be set up by individual insurance companies to ensure that claims are filed on one single platform. Nodal officials will also be deployed to Odisha for this process. More than 500 building structures and over 300 factories including those of core manufacturing companies are said to have been destroyed by the impact of Cyclone Fani. The Odisha Airport also saw structural damage due to wind speeds of over 200 km per hour.

Insurance companies are in the process of deploying surveyors to Odisha to assess damage to the properties insured. Crop damage will be assessed using satellites and drones. This will be cross-checked with the information provided by farmers. There will also be a process of simplification of the claims settlement process. Till date, 35 people have died from the impact of Cyclone Fani.

Last year, insurance companies received claims of about Rs 3,200 crore from the Kerala floods. Here, a majority of claims were from the motor insurance segment since several cars/bikes were submerged in water for days on end after incessant rains lashed the state in July and August 2018.

Insurance claims from natural catastrophes have seen a big jump. In the past five years, cyclones including Hudhud and Phailin as well as flash floods in Uttarakhand have led to almost Rs 17,000 crore in insurance claims. Claims from global natural catastrophes in 2018 were pegged at $76 billion, according to the Swiss Re sigma report. The combined insurance losses from natural disasters in 2017 and 2018 were $219 billion, the highest-ever for a two-year period.

(The writer is M Saraswathy.)

Source

TOP

Should you opt for bite-sized term plan? – DNA – 6th May 2019

Sensing the need for lower cost insurance covers, life insurance companies are offering micro term life plans. These are also easier to buy as some are available through mobile wallets. But since the premium is low, the cover or sum assured is also. Hence, while these plans may be affordable due, will the low life cover they offer suffice? Is it possible to add to the life cover at a later stage? DNA Money spoke to experts to find out how the micro term plans work and for whom they are suitable?

Features of micro term plans

The latest to offer a micro term plan is Aegon Life Insurance, which launched its Aegon Life Group Term plus Plan, earlier this month, jointly with MobiKwik. The plan can be purchased only through MobiKwik app. Earlier, in February, ICICI Prudential Life Insurance had also launched a micro term plan jointly with MobiKwik.

Vineet Arora, MD and CEO, Aegon Life Insurance says, “Metrics across various financial products indicate the need for more innovative solutions to target new-age customers. We believe that the time is ripe for the sachet model in insurance. This product aims to provide such services to today’s digitally savvy customers and to serve a huge segment through customised bite-sized products.”

Prior to these, India First Life Insurance had launched its micro-insurance product called “Insurance Khata” in November 2017. This was targeted at the informal sector and those from the agricultural sector with seasonal incomes.

Suitable for low, middle-income group

The sum assured in both Aegon Life’s and ICICI Prudential Life’s products ranges from Rs 1 to 2 lakh and can be bought at monthly premiums as low as Rs 20 every month (for a Rs 1 lakh cover), which works out to Rs 240 per year. The plan is available to anyone between 18 and 50 years.

To purchase a life cover worth Rs 2 lakh, the maximum amount of monthly premium charged is Rs 40 for policy tenure of 10 years.

In comparison, for a regular term plan the minimum sum assured is Rs 10 lakh and the premium for a 30-year old non-smoker male would work out to approximately Rs 3,000 per year.

Madhu Burugupalli, head products, ICICI Prudential Life Insurance says, “ICICI Shubh Raksha is a pure protection group micro-insurance product. This is primarily targeted at low and middle-income customers. It offers customers a life cover at a very affordable premium. The delivery mechanism is simple, paperless and the policy is issued on a real-time basis.”

Similar to standard term plans, the sum assured in these group term insurance policies cannot be increased after buying them. C S Sudheer, CEO and founder, IndianMoney.com explains, “No mandatory medical tests are required for group term insurance plans. Pre-existing conditions may also be covered. But it’s advisable to undergo medical tests before availing a standard term insurance plan.”

While both Aegon and ICICI Prudential have opted to reach out to customers through the digital wallet system, India First has tied up with Common Service Centres (CSC) across the country and Point of Sale (POS) agents.

Look and cancel option available

Micro-insurance products are designed in a way that customers would deem economical. Thus they could be seen as a “value for money” product. They have the same essential features as insurance plans sold online or offline. For example, these plans also come with a free-look period that lasts 15 days, thus, allowing customers to cancel the product if they do not find it useful enough or suited to their needs.

How much cover do you need?

It is difficult to arrive at the right amount of policy cover that would meet the needs of our loved ones, as it would mean taking into account future needs as well. Hence, how much will the sum assured of Rs 2 lakh suffice? Burugupalli says, “Group micro-insurance products act as a catalyst for bringing more individuals under the ambit of life insurance. For many families this could be a lifeline in case a tragedy befalls. Any individual who has taken any micro-loan can ensure that their family is not burdened by the loan in case of their demise. As the economic status of individuals improves, being familiar with the benefits and importance of life insurance, individuals are more likely to enhance their life cover in line with their increasing income levels." For instance, a young customer may opt for a low cover during the early years of their lives as it is affordable. But they have to buy separate policies if they want to buy an enhanced cover amount to secure their loved one's future.

Such a product can also help in inculcating the habit of buying insurance for the purpose of protection as opposed to buying it only to avail tax benefits. Arora says, "Life insurance is a must have tool in the financial portfolio of every individual. However, in India, insurance policies are largely purchased to avail tax benefits. The intent is to inculcate the habit of buying insurance in India for the sole purpose of protection."

India First's product allows for an increase in the sum assured, says Rushabh Gandhi, deputy CEO. "Insurance Khata is structured in a way that customer has the flexibility of adding to the base sum assured, that is, there is a scope of increasing the life cover as and when the customer has any surplus funds. Hence, a single insurance plan is enough," he says.

TAKE INSURANCE AS PER YOUR NEEDS

- Micro term plans help bring those who have no protection under the ambit of insurance
- As these are group plans there is no need for medical test and premium is same irrespective of customer's age
- The low sum assured may be insufficient and options to increase your cover are limited

(The writer is Abeer Ray.)

Source

TOP

Secure the future of your loved ones with a term plan – Mint – 5th May 2019

Name of the insurer	Plan	Premium in ₹ as per age (yrs) of policyholder			Claim settled (%, FY17)
		30	35	40	
Edelweiss Tokio Life Insurance	mylife+ : term	8,496	10,042	12,827	97.78%
Bharti AXA Life Insurance	FlexiTerm	8,260	10,384	13,570	96.29%
Max Life Insurance	Online Term Plan Plus	8,378	10,384	13,334	95.26%
AEGON Life Insurance	iterm	7,497	9,512	12,717	94.56%
Life Insurance Corporation of India	e-Term	17,044	21,061	26,597	94.45%
Tata AIA Life Insurance	Life Insurance iRaksha Supreme	8,732	10,974	15,104	94.00%
Aviva Life Insurance	i Term Smart	7,886	9,662	12,409	92.25%
SBI Life Insurance	eShield	11,092	13,228	16,154	92.13%
Canara HSBC Oriental Bank of Comm. Life Ins.	iSelect Term Plan	7,379	8,849	11,464	92.03%
ICICI Prudential Life Insurance	iprotect smart	9,740	11,919	15,252	92.03%
Aditya Birla SunLife Insurance Co. Ltd.	Online Term Plan	9,522	11,516	14,578	90.51%
Exide Life Insurance	Elite Term	9,809	11,680	14,343	89.61%
IDBI Federal Life Insurance	iSurance FlexiTerm	9,251	11,257	14,089	89.39%
Kotak Mahindra Life Insurance	Kotak e-term Plan	8,968	11,092	14,986	88.88%
DHFL Pramerica Life Insurance Co. Ltd.	Flexi E-term	7,734	9,482	12,201	88.68%

Date of birth has been assumed to be 1 April in the respective year for each age group; Rates are for a male, non-smoker, Delhi-based; Claims information is for FY2017-18 for individual deaths as per Irdai's Annual Report; In ICICI Prudential and Bajaj **Allianz, waiver of premium on disability is included; Sahara Life does not offer pure term plan**
Source: SecureNow Insurance Broker Pvt Ltd **VIPUL SHARMA/MINT**

Life Insurance is not about investing your money to earn a return on it, it's about financial protection for your loved ones. And the most efficient way to do that is through a term insurance policy. This policy does not invest your money which means you pay only for insurance and after the policy term ends you don't get any money back. But on death during the policy term, it pays a huge corpus to the nominees that can help them tide over any financial crunch and ensure their live are not thrown out of whack. A term plan is the only kind of life policy you need to have because it gives you a large cover for low cost. Read here to know more about term plans. However keep in mind that buying a term plan also needs due diligence at your end when filling up the insurance policy form called as the proposal form. Read here to understand what determines your experience of buying a term insurance policyFurther, there are many types of term plan to choose from and you can read this piece to understand the universe of term plans. You should look at the premium (cost of the term plan) and the claims settlement record of the insurer before you decide what to buy. To help you do just here the premium rates for a sum assured of ₹1 crore across three age categories for a pure term insurance policy. Policy terms are 30, 25 and 20 years, respectively. The claims settlement rate is measured by value of the policies as a lower settlement rate is indicative of high ticket size policies being rejected.

TOP

Source

GENERAL INSURANCE

Odisha Cyclone: How to ensure your property, car insurance claims aren't rejected – Financial Express – 8th May 2019

The current deluge in Odisha has caused damage to hundreds and thousands of people along with their homes and vehicles. In such times, people turn to their insurers for financial help, especially those who have taken home and motor insurance policies. But most often, even after having an insurance policy, claims are rejected by insurers. This, however, is mostly because of the lack of awareness about what is and what is not included in a policy.

From time to time the government has also been taking measures to make people aware of these things and push insurance. The Insurance Regulatory and Development Authority of India (Irdai), in the aftermath of the Kerala floods, had provided guidelines and had asked insurance companies to simplify the claim-settlement procedures, to make it more convenient for policyholders.

Experts suggest consumers should make themselves aware of the terms and conditions of their insurance policy. For instance, typically property claims get rejected due to non-disclosure, misrepresentation, and fraudulent acts. Claims also get rejected due to damage caused because of negligence or any wilful act. Experts suggest that policyholders should evaluate and familiarise themselves with their home insurance policy, the exclusions and the risks covered so that it doesn't come as a shock later.

If due to flood, theft, or fire, there is damage to policyholder's property, they need to inform the relevant authorities of the insurance company. For a smooth claim process, policyholders also need to provide all the supporting documents. The claim process starts with the insurer first appointing a surveyor to assess the damage of the property. Industry experts suggest it should be seen that policyholders have taken all possible measures to avert any further damage to the property. They should not act like the property is insured, and let the damage escalate.

In case of property, take photos of the accident or the damaged place. Also, try to keep the loss site untouched till the surveyors have assessed the damage. You should make an assessment of the loss and present it to the surveyors who come for an inspection. Experts say policyholders should not exaggerate the loss for their own profit.

The fine prints in an insurance policy hold critical information. The basic motor insurance policy, for instance, covers for losses caused by natural calamities such as cyclones, lightning, earthquakes, landslide, floods, hurricanes, storms, typhoons, and inundation. Insurers cover losses caused by the impact of these events, normal breakdown or regular wear and tear are not covered.

The hydrostatic lock of the engine is another situation which is generally overlooked but is not covered by a basic motor insurance policy. This means due to waterlogging, the car engine stops working. A policyholder should avoid trying to ignite the engine or cranking if the car gets stuck in a waterlogged area. Insurance providers consider engine seizure due to waterlogging as negligence on the part of the policyholder, and hence, reject claims. To additionally get this part covered under an insurance policy, you can opt for a separate engine-protect add-on cover.

Claims also get rejected if the application for a claim is not made within the stipulated time. Most insurers give a week to a month's time, after which any claim filed is not considered.

(The writer is Priyadarshini Maji.)

TOP

Source

How to pick up the right home insurance policy – Financial Express – 8th May 2019

As insurance companies gear up to assess losses caused by cyclone Fani in Odisha and West Bengal and process the claims, it would be wise for home-owners across the country to buy insurance cover for their properties against natural calamities and secure these against financial risks.

The coverage of non-life insurance is low in India—penetration (measured as ratio of premium to GDP) is less than 1%—and people have to pay mostly from their pocket to re-build their damaged homes after any natural disaster. Even a Lloyd's Underinsurance Report last year had estimated that India has the second-largest global underinsurance. In the last two decades, India suffered losses of $80 billion, according to a report by the United Nations, from cyclones, floods and earthquakes.

Insurance coverage
Typically, a home insurance policy will cover natural calamities like earthquake, flood, cyclone, fire, and will cover man-made incidents like robbery, dacoity, riots, etc. Home insurance policies offered by general insurance companies cover both building and content. Under the building cover, one can claim the cost of repairing the damage in the structure of the building. The content insurance will include jewellery, electronic goods, clothing and furniture. House insurance also comes with liability coverage which covers the policyholder against personal injuries, as well as property damage by third parties.

General insurers offer various types of home insurance covers. An individual can even buy and renew a home cover online without any documentation and physical inspection of property, unless someone is opting for a higher sum assured or a specific package. Experts say it is better to buy a cover right after taking possession of the house as insurers refuse covers for old houses. Many a times, banks and housing finance companies bundle home insurance along with the home loan.

All home insurance policies offer coverage to contents in the house against earthquake, flood, cyclone, landslide, fire, etc. Some insurers also offer holiday home protection policies which are short-term covers for the time when one is on vacation. It is better to opt for a longer cover which will save the hassle of renewing it every year, and one can get discounts on the total premium.

For those staying in multi-storeyed apartments, the housing society must insure the structure against natural calamities as it will help in case of any damage to the physical structure. The cover will take care of the construction cost of the building. People living in individual houses can opt for structure home insurance and a contents cover will ensure that belongings are covered against damage from natural calamities, fire or even burglary.

Read the fine print
Always read the fine print of a home insurance policy as insurers have their process to evaluate the loss caused in such situations. The policy document mentions all the exclusions from the cover. The insurers print certain conditions under which the expected claims are excluded and policyholders should be very careful while buying a policy and while filing claims. If they are not satisfied with the assessment of loss

made by the insurer, then they must insist that the insurance company review the assessment before signing the discharge voucher for settlement of claims.

Most importantly, choose the right sum insured after assessing all your contents. An under-insured cover will not be of much help and you have to bear the financial burden yourself in case of any calamity. One must make an inventory of contents, estimate their market value and keep ownership documents of the contents ready. All covers will have standard exclusions such as wilful destruction of property, general wear and tear and atmospheric conditions. Also, look at add on covers by paying an extra premium. It will not only enhance the cover for your home, but also help in a hassle-free claim.

Pricing of home insurance

The sum insured for the house structure is evaluated based on the reconstruction or reinstatement value of the property. In case of contents of the house, such as electrical appliances, furniture, crockery, clothes, etc, the sum assured will be valued based on their market value after adjusting for depreciation.

Typically, the premium for the house covered for `50 lakh and contents for `10 lakh will be around `3,000 a year. So, a home insurance provides great financial hedging at a nominal cost.

(The writer is Saikat Neogi.)

Source

TOP

Consumer Alert! Your Personal Accident Insurance policy may not cover all these; Find out – Financial Express – 7th May 2019

Personal Accident Insurance is an important insurance cover that offers the insured financial protection against uncertainties due to accidents, such as accidental bodily injuries, partial or total disabilities, temporary or permanent disability resulting from an accident, and accidental death. Accidents in India are increasing at an alarming rate. As per recent reports from the Ministry of Road Transport and Highways, in 2018 there has been a rise of 1.68 per cent in the number of accidents.

Accidental insurance policies, however, come with their own set of limitations. They do not extend cover for just an accident that you might get yourself into. Hence, while opting for a policy, know what all will you be covered for and what will be left out from your policy cover.

What is Personal Accident insurance policy?

In the event of accidental death of the insured, the nominee or the family members get 100 per cent compensation from the insurance company. Generally, there are two kinds of accidental insurance policies – Individual accident and group accident policies. As the name suggests, an Individual Accident Policy provides cover to an individual in case of any accidental damage. It provides covers for accidental death, partial disability (loss of limbs or sight), or other permanent disabilities due to an accident. Group Accident Insurance is provided by employers to their employees. However, as these are basic plans they offer limited benefits compared to an individual plan.

General inclusions in personal accident insurance policies are accidental death, permanent total or partial disability, accidental dismemberment, medical expenses, hospitalization charges (with minimum 24 hours of hospitalization), child education support, life support benefit, burns, broken bones, and daily allowance.

Major Exclusions in Personal Accident insurance policy

The date of accident plays an important role while making a claim. Especially, internal injuries arising out of an accident, be it minor or major, surface slowly. Sometimes, they even take weeks and months, due to which most of the insurers allow to claim for disability up to a certain period from the date of the accident. Companies generally validate a claim if the disability has occurred within 12 months of the accident.

Some of the major exclusions include suicide, self-injuries, natural death, pre-existing disability, childbirth or pregnancy, non-allopathic treatments, the influence of intoxicants, and suffering from any mental disorders. Also, committing a criminal act or being involved in war activities, or participating in the naval, military, air force, and adventurous sports activities are also among the major exclusions.

Among the prime exclusion, self-harm and pre-existing injuries are commonly misunderstood. If the policyholder inflicts or tries to inflict himself, it is an act of self-injury, and will not be covered by the policy. Any activity that signifies intend to harm and damage the self is excluded. Hence, accidents resulting from attempted suicide or suicide, committing or participating in criminal activities including riots, non-compliance, or civil commotion, are not covered under the policy.

Any accident arising out of voluntary intoxication is also excluded from the policy. However, if you are under medicinal intoxication, you will be eligible to file a claim if you can produce a prescription. No claim is paid for pre-existing injuries under a personal accident policy. Irrespective of you being treated or not, it is excluded from the policy cover.

Personal accident plans also do not cover for adventure sports, such as skydiving, mountaineering, hang gliding, bungee jumping, scuba diving, trekking or parasailing, which have become increasingly popular among vacationers, are not covered under this policy.

These activities are perceived to have a higher level of inherent danger, because of which they are excluded from the policy. However, companies like HDFC Ergo, Bajaj Allianz General Insurance, Bharti Axa General Insurance, and Go Digit provide cover for adventure sports. These insurers have policies that provide cover for such activities both as a specific adventure sports policy or as an add-on to the base policy.

(The writer is Priyadarshini Maji.)

Source

TOP

Pack the right travel policy this holiday – Financial Express – 7th May 2019

In June last year, Gurugram-based Gaurav Surana, 33, a business development professional, and a group of nine people planned a holiday in Prague and Frankfurt. Their flight from Frankfurt from Prague got cancelled at the last moment and was rescheduled via Zurich. After a layover of three hours at Zurich, they found that this flight got cancelled too. The group then decided to take a train to Frankfurt. In all this, they lost about 12 hours, but were able to recover the costs of the cancellation, thanks to the travel insurance they had packed in.

Unexpected events can mess up your itinerary and become a financial nightmare. "In most of the developed world, medical expenses are prohibitive due to the skewed conversion rate. Due to flight delays, cancellation, baggage loss or delays, etc., a traveller may face financial penalties," said Bhaskar Nerurkar, head of health claims, Bajaj Allianz General Insurance. That's why having a travel insurance helps. Here's what you should consider when buying travel insurance.

There are single-trip travel insurance policies as well as year-long multi-trip plans.

A single-trip policy is meant for just one trip, be it domestic or international, for the selected time duration and, typically, comes at relatively lower premiums. It is applicable for the entire trip, i.e., it starts from the time one boards a flight from one's home city or country till the return date or end of policy, whichever is earlier. It may also cover specific activities such as adventure sports like bungee jumping and skydiving.

A year-long or annual multi-trip policy is purchased on an annual basis and covers multiple trips taken in a year. "This policy reduces the trouble of issuing individual policies for every trip and is a single, cohesive cover which is applicable for the entire year with covering benefits as stated in the policy," said Nerurkar.

Things to remember

The first thing you need to check when buying a travel plan is whether or not basics such as baggage loss, flight delays and trip cancellation are covered. Next, ensure that it covers you during the entire duration of your travel and doesn't kick in only after you reach the final destination. Also, ensure that the medical cover is extensive.

Another aspect to keep in mind is adequacy of the sum insured. For example, a Schengen visa requires you to take a cover of at least €30,000.

Take note of the exclusions. "Depending upon the type and duration of your trip, take note of what your policy covers. For instance, if you're an adventurous person and have booked an adventure trip, make sure your travel insurance covers you for any incident occurring out of the adventure activity," said Tarun Mathur, chief business officer, general insurance, Policybazaar.com, an insurance aggregator.

Most insurers offer relevant add-ons such as home burglary, which come at a higher premium. "Travel policies today have multiple variants rather than add-ons that come with different premiums and offer different types of coverage," said Mathur. For instance, student travel plans typically offer add-ons like alcohol abuse and preventive care covers.

Claims process

Going with digital insurers makes the claims process smoother. "You just have to upload or send photos and documents on the website or app and your claim will be processed," said Mathur.

Usually, claims pertaining to medical emergencies are cashless when you're travelling. All you have to do is connect with your third-party service provider to avail the claim. In case of reimbursement claims, you will have to submit all your original bills and supporting documents to your insurer. Note that claims must be filed within seven days of returning from the trip.

So when travelling this summer, ensure you are well protected against emergencies.

(The writer is Disha Sanghvi.)

[TOP]

Source

Settle cyclone Fani claims faster: IRDAI to insurers - The Hindu Business Line – 7th May 2019

The Insurance Regulatory and Development Authority of India (IRDAI) have asked insurers to settle claims faster in the wake of cyclone Fani.

In its guidelines on settlement of claims issued on Tuesday, the regulator has directed insurance companies to initiate immediate action to ensure that all reported claims are registered and the eligible are settled expeditiously.

"A suitably simplified process, including relaxations in the usual requirements wherever feasible, may be considered to expedite claims settlement," the regulator said in the circular.

With regard to claims involving loss of life, where difficulty is experienced in obtaining death certificate due to non-recovery of body, the process followed in the case of Chennai floods in 2015 may be considered.

Source

TOP

Series of crashes to push insurance premium, renewal costs for airlines – The Indian Express – 7th May 2019

Four major aircraft accidents across the world in the last seven months have sent wake turbulence towards Indian aviation companies, which face hefty hikes in insurance renewal costs for the current year.

The recent crashes involving two Boeing 737 MAX aircraft operated by Lion Air and Ethiopian Airlines, followed by a water landing of a Miami International Airlines-operated Boeing 737 and crash landing of a Sukhoi SuperJet 100 flown by Aeroflot are set to push insurance renewal costs up between 10-100 per cent.

Sources in the insurance sector pointed out that the aviation insurance market has been hardening for the last one year and the recent accidents will further push up the premium, with experts saying insurance costs could double in some cases in the next few months.

India's national carrier Air India's insurance renewal cost recently almost doubled to around $28 million this year, as a host of adverse factors put an end to the days of discounts in the segment.

Global aviation insurance market has been hit by underwriting losses during the last four or five years.

In the last sixteen months, the aviation industry has seen at least 12 major accidents resulting in loss of hull, meaning damage to the aircraft beyond repair. These include the Boeing 737 crash in May last year operated by Cuba's national carrier Cubana, resulting in the death of 112 people.

In February this year, a Boeing 767 cargo plane operated by Atlas Air for e-commerce giant Amazon crashed killing all three on board.

"Besides, the current grounding of Boeing 737 MAX due to the software glitches that led to two crashes has complicated the situation in the international aviation reinsurance market. While re-insurers led by AIG have been trying mobilising global premiums of over $1.8 billion to make up losses, they have been hardly able to garner $1 billion which is not taking care of losses.

"So all the airlines which have claims have been saddled with 50-100 per cent rise in premium, while the airlines which do not have claims are facing 10- 20 per cent hike. The situation is not going to be calm down soon," said a source in the London insurance market.

MAJOR HULL-LOSS ACCIDENTS IN LAST 16 MONTHS

DATE	AIRCRAFT	AIRLINE
01/13/18	Boeing 737	Pegasus Airlines
02/11/18	Antonov An148	Saratov Airlines
02/18/18	ATR 72	Iran Aseman Airlines
02/28/18	Airbus A320	SmartLynx Airlines Estonia
03/12/18	DHC-8	US Bangla Airlines
05/18/18	Boeing 737	Cubana
10/29/18	Boeing 737 MAX	Lion Air
02/23/19	Boeing 767	Atlas Air (Amazon)
03/09/19	Douglas DC-3	LASER Aereo Colombia
03/10/19	Boeing 737 MAX	Ethiopian Airlines
05/03/19	Boeing 737	Miami International Airlines
05/05/19	Sukhoi SuperJet 100	Aeroflot

Source: Aviation Safety Network; dates in mm/dd/yy format

India has several large aviation insurance accounts including IndiGo, Vistara, Air Asia, Spice Jet and GoAir that face a tough market when they become due for renewal over the next few months, aviation insurance analysts observed.

"Aviation insurance cost was already on the rise. The crash of the Aeroflot plane due to lightning strike on Monday will put further pressure in the insurance market," said one source.

On March 10, an Ethiopian Airlines passenger jet bound for Nairobi had crashed minutes after take-off, killing all 157 people on board, raising questions about the safety of the Boeing 737 MAX 8, a new model that also crashed in Indonesia in October.

GIC Re has a 3 per cent exposure in Ethiopian Airlines insurance cover and would be settling the claims proportionately soon for the crashed aircraft.

Insurers typically form a consortium to share the risks of large claims, with the lead insurer taking a larger proportion of the risk. The insured value of the plane itself was likely around $50 million (£38 million).

(The writers are George Mathew and Pranav Mukul.)

TOP

Source

Single Trip vs Multi Trip Travel Insurance: Which one is more suitable for you? - Financial Express – 5th May 2019

For anyone looking to travel abroad, the question which travels insurance to buy is always perplexing. While some travellers prefer taking single-trip coverage, others prefer a multi-trip annual protection policy. In general, a single trip cover is best suited for people taking long trips (more than 90 days) abroad and also for those who are unlikely to travel abroad more than once a year. On the other hand, the annual cover is designed for people who travel abroad more than once in any given year. However, both these travel protection plans cover you for the inconveniences caused in your travel plans such as flight delays, trip cancellations and medical emergencies.

Single Trip Travel Insurance?
As the name suggests, single trip travel insurance covers you for a single trip to a foreign land of up to a maximum of 180 days. It is also extendible by another 180 days for most. If you plan to go on a vacation with your family and loved ones, and you are quite sure that this will likely be the only trip abroad you make in the year, then single trip cover is best for you. Under this cover, you can enjoy maximum protection against all possible miss happenings at a reasonable premium.

Annual/Multi-Trip Travel Insurance?
Annual multi trip travel insurance policies cover you for the entire year under one single policy at a premium paid at the start of the policy. As the policy is valid for 12 months, you can take as many trips as you want within the year, as long as all your trip durations within the year are less than 90 days. While it is slightly expensive than the single trip travel insurance policy, but if you are planning multiple trips abroad within a year, the annual cover is the most convenient & best for you.

Similarities
Both, single and annual trip policies cover the same incidences including medical emergency, trip cancellation and loss of baggage/passport.

Differences
There are many reasons why you can choose one over the other and the first and most important reason is the number of trips you plan in a given year. Second, duration of the trip. While a single trip policy begins from the day of your departure from the home country and ends on the day of your return, the annual travel policy starts as per start date selected by insured and ends after 365 days, regardless of number of trips.

Considerations
The most basic choice of the plan that you should buy comes down to the number of trips you have scheduled for the year. The cost of single-trip insurance is almost half the cost an annual package. This makes single-trip insurance the most appropriate choice for families and individuals who take limited vacations in a year. However, if you plan to take more than one trip abroad this year, annual multi trip travel insurance is the best option for you!

Other factors to Consider
Pre-existing Medical Conditions: When applying for travel insurance, it is important that you always declare pre-medical conditions, if any. Do always remember that any pre-existing medical condition that results in an emergency visit to a doctor or hospitalisation in a foreign land is not covered under the policy unless you purchase a policy with a pre-existing condition exclusion waiver.

(The writer is Tarun Mathur.)

TOP

Source

Insurers gearing up for 'Cyclone Fani' claims - The Hindu Business Line – 5th May 2019

Insurers are gearing up to process claims after cyclone Fani ravaged parts of Odisha but many say underinsurance continues to be the bigger challenge.

"The unfortunate reality is that the uninsured losses in most natural calamities are much higher. I don't think the situation will be much different here," said Roopam Asthana, CEO and whole-time director, Liberty General Insurance.

Most claims are expected for damage of property and vehicles and hospitalisation and some for damage to crops. Life insurance claims will be less largely due to the State's improved disaster management efforts.

The general insurance density in Odisha is at ₹706 in 2017-18, which was lower than that in a number of States. Insurance density is defined as the ratio of premium underwritten in a given year to the total population.

An executive with an insurance company, who did not wish to be named, said insurance companies will now begin work and set up camps to process insurance claims in the State. “It is too early to make a figure but it could be in the range of ₹2,000 crore or so,” he said, pointing out that unless people have covers for claims payouts for property or an engine cover, it is difficult to process claims.

However, Asthana pointed out that there is much more awareness now. For instance, in case a car is completely submerged in water, people realise that they should not start the engine.

The Insurance Regulatory and Development Authority of India is also expected to issue advisories for claims processing in the cyclone-affected areas. “In such situations, camps are set up by the large insurance companies and all insurers are advised to settle claims speedily,” said the second official.

Significantly, even in previous natural calamities like the Chennai and Kerala floods the insured losses were just a fraction of the actual losses. Natural calamities are seen as one of the top risks by insurers.

Insurance gap

The Lloyd’s Underinsurance Report 2018 had estimated that India has the second largest global underinsurance at $27 billion. “India suffers, as its neighbour Bangladesh does, from flooding and earthquakes in the north around the Himalayas, but with a far more developed economy, it has significantly more GDP potentially at risk in absolute terms,” it had said.

“Widespread flood events from 2018 such as the one that affected Kerala have led to Indian companies being increasingly worried about natural catastrophes… This is unlikely to abate in the near future, as AGCS predicts that 80 per cent of the world’s top 10 exposed flood locations in 2070 will be in Asian cities, with Mumbai and Calcutta included,” Allianz Global Corporate Specialty had said in its Allianz Risk Barometer 2019, with cyber risk being the top challenge.

(The writer is Surabhi.)

Source

TOP

HEALTH INSURANCE

This Mother’s Day, gift your mom a health insurance policy – Financial Express – 10th May 2019

Covering your mother under a health insurance is important as most Indian mothers lack adequate health insurance during the critical stages of their lives. As per a recent survey, women in India just account for 30% of health insurance policies. This becomes all the more critical when access to good health care can mean the difference between life and death.

Most women in urban cities juggle between work and home and this is further bundled with unhealthy lifestyle habits including lack of sleep, no exercise and unhealthy food habits leading to worrying stress levels. Following which, there has been a constant rise in the number of women suffering from lifestyle diseases such as diabetes, back-related problems, thyroid, cardiovascular, cervical cancer and infertility.

Rising cases of cancer

India alone accounts for the third highest number of cancer cases among women and the numbers are growing at 4.5 – 5% per year with the most common forms being breast, lung and cervical cancer. Also, the peak age of the onset of breast and ovarian cancer is at 45-50 years in India.

The cost of treatment of cancer often goes beyond Rs 20 lakh which is not always possible for everyone to afford. Considering the current scenario, investing in health insurance cannot be ignored and must be done at the earliest. In order to deal with regular inflation and the high rising medical costs, it has become imperative to have an adequate health insurance.

A well-rounded health insurance cover for your mother can be a good way to further steer her in the right direction towards her as well as the family's progress. It is imperative that your gift this Mother's Day not just protects her today, but secures her forever. A health insurance does not cost much but certainly adds great value to the life of insured.

A health protection product will not only empower your mother to go for regular health check-ups, but will also provide financial help for medical emergencies. There are numerous health insurance plans available that are precisely designed targeting women in order to provide them insurance for costs that include hospitalization expenses, critical illness cover and cover against lifestyle related diseases.

Women specific cover

You may choose to buy a women specific health insurance plan for your mother that provides financial protection against different illnesses, which she may encounter during her life. The numerous women-specific products apart from catering to critical illnesses even come without any special premium pricing. It is important for you to stay informed, and invest in a plan that benefits your mother in more than one way.

Before zeroing on a policy, you must look for various features including zero deductibles, premium waiver benefit, cashless hospitalization and a lot more. You must also see if the plan you choose to buy covers any of the pre-existing diseases.

In order to cover your mother against pre-existing diseases, there are several fixed benefit disease specific plans available in the market which cover some major illnesses like diabetes, hypertension, Cancer etc. Do even check if there is a waiting period for some of the popular chronic ailments such as cysts or fibroids, which are quite common in middle, aged women.

(The writer is Amit Chhabra.)

Source

TOP

How significant are Insurance-Tech Start-Ups for healthcare in India? – Elets – 5th May 2019

The insurance industry is not known for great customer experience. Lack of a consumer-focused mindset and slowness to adopt technology creates pain points for customers. For a young demographic that is used to ease and simplicity, this has made insurance a difficult concept to embrace. India has this huge underserved market, thus creating the perfect opportunity for the rise of insur-tech start-ups.

According to EY's Global Insurance Trends Analysis 2018, $2.3 billion has been invested in insur-tech start-ups, representing over 45 percent of insurance investments spanning 2012-17. Yet, Indian insur-tech start-ups are yet to tackle some significant challenges as they try to break into the local market.

Key Vulnerabilities need Curated Coverage

Today, one-third of India's population is made up of urban millennials aged between 21 to 35 years. This huge market faces very specific risks on a daily basis that are not being covered by the insurance industry, which continues to focus on one-size-fits-all health, life and motor insurances.

Most young adults will, for example, not think twice about buying an expensive silicon cover to protect their cell phones, which is insurance in a tangible form. Buying small insurances for specific risks is the same thing. They can cover their unique and immediate risks, which can amount to basic cycle or commute coverage, salary protection in case of hospitalisation, and coverage of their belongings such as laptop bags in case of theft or burglary in their daily lives.

Identifying this growing target population and providing to their needs gives rise to a whole new direction for the insurance industry. More user experience research needs to be done in order to understand the specific concerns and needs of this new target client category, a challenge that can easily be taken on with the right partnerships and technology.

Common Obstacles in Purchasing Insurance

Even with insurance aggregators, customers seldom complete their purchase entirely online. A telephone call or a visit from an agent is often needed to clarify, fill forms, and understand the inclusions and exclusions of each plan as well as to wrap one's head around obscure terminology. Start-ups need to improve the design of purchase processes by deconstructing over-complicated products into easy to grasp, bite-sized coverage plans that use simple language with examples set in the user's day-to-day life.

This will not only greatly increase customer understanding by taking out unnecessary decision fatigue, but it will also speed up the purchase process. Insur-tech startups thus have the exciting task of pulling insurance from a financial mindset (something you have to sit down with an expert or an agent to plan meticulously) to a product mindset (something you can pick up as and when it is needed like a case for your phone).

Stressful Claim Processes

The popular general impression is that an insurance company does not want to approve claims, with of course is reinforced by the hoops one has to jump through to just file a claim. To be fair, Insurance companies are worried about fraud and have a complex maze of processes to prevent it. From getting all the needed paperwork together, physically mailing them and filling out forms in triplicate. (We exaggerate a bit, but you get the idea.)

Insur-tech start-ups need to show that they can approach claims entirely differently while following the prescribed guidelines. They want to approve claims with minimal information, trust their customers on face value. The assumption of an insurance company is that customer is dishonest, while the precedent set up by Amazons of the world has proven that trusting the customer is good business as well.

Digitizing the whole experience goes a long way, removing the inefficiencies of paperwork and decision-making. Simplifying document requirements along with a smart algorithm-led fraud check can take the frustration out at both ends – saving the company's manpower cost and eliminating customer frustration from the lengthy process of submitting claims. With these digital tools, a typical claim would only require one to simply upload the photos of relevant documents and money could be sent to the client's bank account practically instantly. This process obviously works a lot better for simpler products.

A Growing Market

Insurance for a typical Indian has always been about tight family bonds, counting on your relatives to come through for you – not something you have to buy. However, as a consequence of the evolving society we see the trend of families breaking down from big, extended groups into smaller or nuclear units; this phenomenon is affecting half a billion people. As huge joint families dissolve and migration weakens community bonds, there is little hope of relying on family and communities to come through to help in times of crises. Hence, the ground is set for insur-tech start-ups to introduce the idea of risk mitigation (beyond family bonds), a safety net in the shape of a small, simple insurance policy that can mitigate those risks and concerns.

Opportunity through Challenge

Insur-tech startups have the responsibility to deliver to first-time buyers of insurance a powerful and pleasurable experience. Digitising, simplifying and automating the entire buying and claims processes for seamless, end-to-end user experience so that insurance can be bought as easily as any product in the digital marketplace. These powerful innovations, topped off with improved customer service with trust instead of suspicion, has the potential to revolutionise the insurance industry.

(The writer Rohan Kumar is Co-Founder and CEO Toffee Insurance.)

TOP

Source

MOTOR INSURANCE

Planning to take motor insurance? Make sure it's not fake - Financial Express – 4th May 2019

You might seem surprised but the auto insurance policy you have bought recently might be fake. If that is the case, then any claim arising from it won't be honored. In fact, fraud cases in the insurance industry – not only in India but around the world – are rising and have become a cause of concern. According to industry estimates, around 1-2 per cent of the total vehicle insurance policies are fake in India, and the industry is losing crores of rupees annually due to such frauds.

Industry experts suggest that while buying an insurance policy, one should either buy it from a reliable aggregator or directly from an insurance company. If you don't buy a policy with carefully understanding, then in the future while making a claim, your claim is likely to be turned down. Frauds in the insurance sector are not only committed at the time of applying for a claim by making false or inflated claims, but also at the time of buying the policy.

Find out how to spot a fake motor insurance policy and avoid buying it:

1. While buying a policy, try to buy it through credible resources. Experts say just by looking at the policy one might not be able to spot a policy. Try to get a policy from renowned and credible resources. If you are trying to bag in some discount while buying the policy or get hold of a lesser premium, through unknown agents or aggregators, you might get a lower premium but there are chances that you might get hold of a fake policy. Currently, there are many credible aggregators' websites from where you can get your policy or get it directly from the insurance company's website.

2. Try to make payments either through a cheque or online. If you are buying a policy offline, try to make the payment through a cheque. To validate the genuineness of the policy, the cheque has to be made in favor of the insurance company and not in favor of any individual. Hence, experts suggest one should avoid paying in cash because that minimizes the risk of getting hold of a fake insurance policy. Better yet, buy policies online to avoid any risk, which is also more convenient.

3. You can also verify a policy by using the verification link. Most insurers offer a policy verification link on their websites. To validate your motor insurance policy, you can go to the insurer's website and use the verification link. Further, you can also connect with customer care to verify the details of the policy.

4. Before buying the policy, check the policy's existence. The policy being sold to you has to be from one of the accepted general insurance companies in India. On the IRDAI website, you can find out about the licensed entities with their details. Experts suggest buying a policy from any of the licensed entities in India. If it is not much of a difference, it is best to buy a policy from the insurers directly.
5. While buying a policy you need to check the genuineness of the policy, as fraudsters and scamsters can copy the minute details of the insurance company and provide you with a fake policy. You can either go online, call up the customer care or, visit the registered branch office of the insurer to authenticate the policy document issued to you.
6. Tech-savvy people can also use the QR Code to verify their policy. IRDAI, a few years back, had made it mandatory for the insurers to print a QR code on the vehicle insurance policy, which would help the insured to verify the authenticity of their insurance policy. Motor insurance policies bought after December 2015 in India generally contains a QR code. By using a QR code reading app on your smartphone, you can scan this code, which will open to a web page with the status, and the details of your policy.

(The writer is Priyadarshini Maji.)

Source

TOP

CROP INSURANCE

Insurance scheme applicable even if farmer name not on 7/12 records: Consumer Commission – DNA – 9th March 2019

The state consumer disputes redressal commission (SCDRC) has upheld the order of a district forum stating that of an insurance scheme to protect a farmer's interest in case of accidental death continues be there even if 7/12 land records do not have the farmer name on it.

The commission, upholding the district forum order, said that if the farmer's name is on other village forms or land records or part of court proceedings, then the person can get those benefits. The order was given by Justice AP Bhangale, president and Dr. SK Kakade, member against M/s.Liberty Videocon General Insurance Co.Ltd. The order was pronounced on May 2.

The order was given when scheme benefits were not given. Wives of three farmers who died had sought scheme benefits that were rejected due to different reasons. The farmer's insurance policy was floated by Government of Maharashtra by entering into an agreement with the insurance company and farmers. The order said it is a welfare scheme intended to protect the farmers, who may die accidentally or suddenly while they were having their source of living as farmer only, to protect their dependents so that dependents shall not starve nor shall be deprived of their source of livelihood due to death of only earning member in their family.

The insurance company had challenged the district forum order stating that in the tri-partite insurance agreement, the essential condition to the insurance policy protecting the interest of farmers in case of their accidental death, etc. was that the name of the farmer shall appear in the land record register on the date of issuance of the policy. In the second case, the insurance company had rejected the claim as there was no proof in the post mortem that the farmer died due to a snake bite at his farm. The commission said though the viscera report did not establish poison, commission was from proof on record that death was due to animal bite and accidentally.

The commission then said that objective of the insurance scheme is benevolent with a social and general objective to protect dependents of the unfortunate farmers, and hence order of the district forum cannot be held wrong or illegal.

What Commission Concluded

- The order was given when scheme benefits were not given. Wives of three farmers who died had sought scheme benefits that were rejected due to different reasons
- The policy was floated by state by entering into an agreement with the insurance company and farmers
- The order said it is a welfare scheme intended to protect the farmers, who may die accidentally or suddenly while they were having their source of living as farmer only
- The order also said the scheme was started so that family members of farmers are not left starving

(The writer is Ashutosh M Shukla.)

Source

TOP

SURVEY

Pune, one of the least insured cities: Survey - The Hindu Business Line – 9th May 2019

A survey by Max Life Insurance has revealed that only 58 per cent of Pune's population owns life insurance, making it one of the least insured cities in the country.

Protection Quotient

According to the 'India Protection Quotient' survey conducted by Max Life and Kantar IMRB, Pune stands at a Protection Quotient of 27 out of 100, lesser than the national average of 35 for urban India.

The three-dimensional survey determined policyholders' level of financial preparedness to face future uncertainties by studying their life and term-insurance awareness, ownership and primary fears, and preferences when purchasing policies.

Pune's protection quotient ranks the city lower when compared to other cities such as Ahmedabad, Bhubaneshwar, Chennai, Delhi, Jaipur, Lucknow, Mumbai, Patna, and Vishakhapatnam.

Source

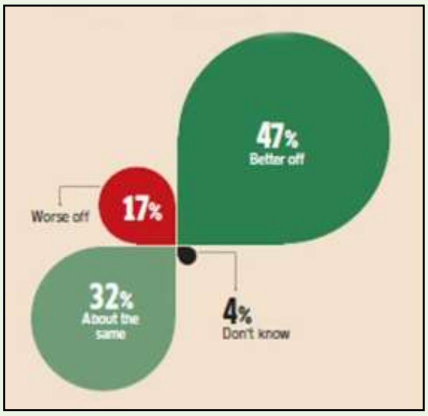
49% Indians confident of meeting healthcare expenses in retirement: Survey - The Economic Times – 6th May 2019

Nearly 49% of Indians are confident they will be able to take care of their healthcare expenses after quitting work, reveals the Aegon Retirement Readiness Survey 2018.

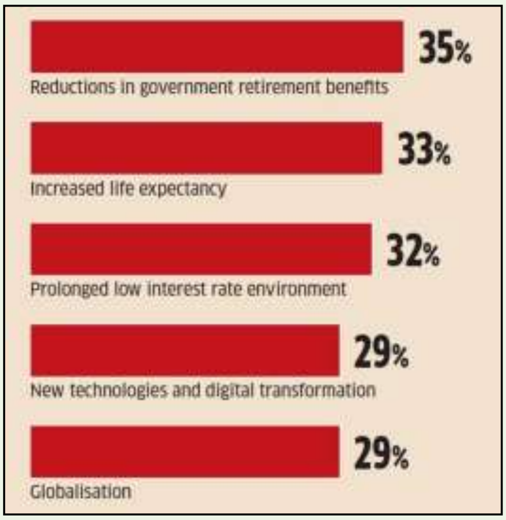
India tops in retirement readiness

As many as 40% of Indians achieved a high score, down from 44% in 2017.

** Figures are ARRI scores. ARRI ranks retirement readiness on a scale from 0 to 10. A high index score is between 8 and 10, a medium score between 6 and 7.9, and, a low score being less than 6.*

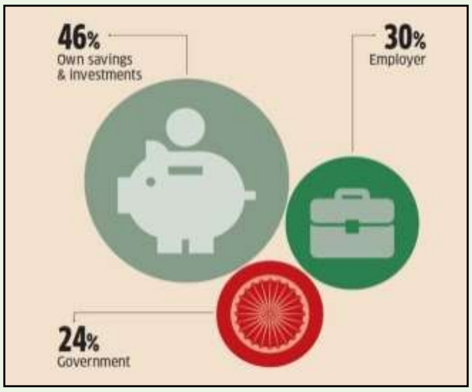


How will future generations fare when it comes to retirement?
While 49% people globally think future generations will be worse off, nearly 47% Indians believe they will be better off.



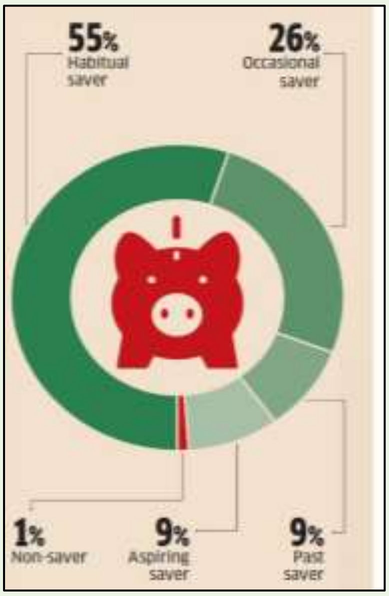
Which global trends are likely to impact your retirement plans?
Reduction in government benefits is the biggest factor affecting the retirement planning of Indians.

How will your retirement income be funded?
Compared with the global figure of 24%, nearly 46% of Indians are depending on their own savings and investments to take care of their retirement.



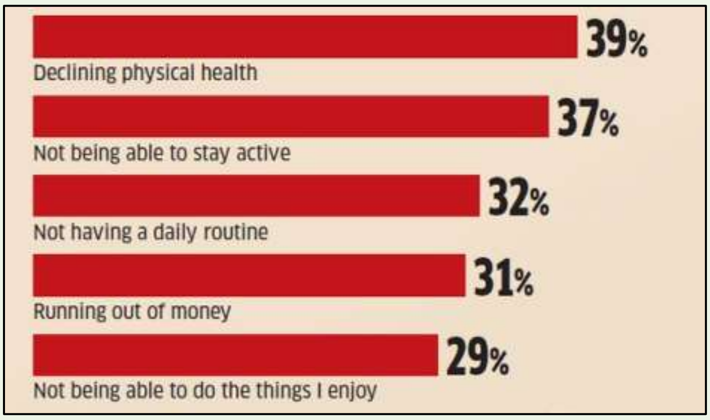
What are the benefits offered by your employer?
As many as 46% Indians derive retirement benefits from their employers, compared with 43% globally.

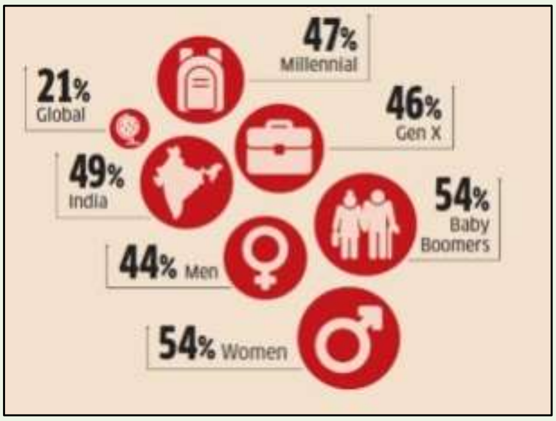
What kind of a saver are you?
More than half the Indians are habitual savers, compared with only 39% globally.



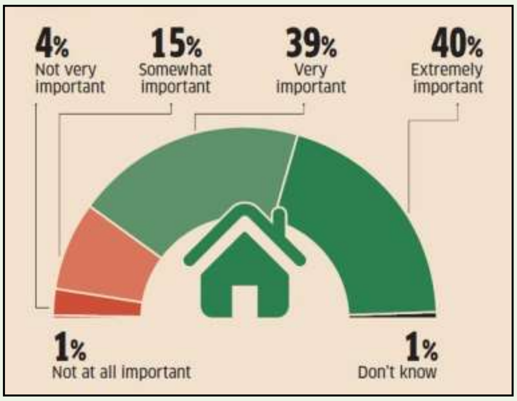
When did you retire?
At 71%, nearly three-fourth Indians retired as scheduled.

What are your key concerns in retirement?
At 12%, need to move to a nursing home is the least of concerns for Indians.





Are you confident you can afford healthcare on retiring?
Baby Boomers, at 54%, are the most confident about being able to afford healthcare costs after retiring.



How important is it to be in your own home?
It is crucial for 40% Indians, compared with 36% globally.

Source: The Aegon Retirement Readiness Survey 2018. The survey was conducted in 15 countries, with 1,000 respondents from India, including 900 workers and 100 retirees. All responses may not add up to 100 due to multiple responses.

TOP

Source

INSURANCE CASES

Warrants against insurance firm managers over claim - The Tribune – 9th May 2019

For not paying compensation to a car owner in a road accident case, the State Consumer Disputes Redressal Commission has issued bailable arrest warrants against regional, divisional and local managers of Oriental Insurance Company Limited.

To execute, the arrest warrants have been sent to SSPs of Faridkot, Ferozepur and Chandigarh.

The State Consumer Disputes Redressal Commission has accused the insurance company of not compling with its order of October 25, 2018.

According to the orders, the insurance company was to pay compensation to a car owner by November 25, 2018, but even after five months, the compensation was no paid.

Ravinder Singh Kang, a resident of Hardasa village of Ferozepur, had filed a complaint with the State Consumer Disputes Redressal Commission in July, 2018 against the firm. In his complaint, Kang had alleged that he had paid Rs1.12 lakh for insurance premium to the firm for his Mercedes Benz GL-500.

He said this insurance policy was purchased on September 22, 2017, and it was valid up to September 21, 2018.

In his complaint, he mentioned that the value of the car was assessed at Rs65 lakh at the time of giving the insurance policy and it was the Insured Declared Value (IDV) that calculates the value of the car at the time of selling the insurance policy.

He said, “On December 24, 2017, in a dense foggy morning, the car met with an accident near Harike and its engine was completely damaged. The car was taken to a Mercedes Benz workshop in Ludhiana for repairs where its cost was assessed Rs 28.50 lakh. However, the surveyor of the insurance company assessed the losses and repair cost at a meager amount of Rs 51,060.”

The complainant said the insurance company held him responsible for the damage due to his negligence and poor handling. To oppose the stance of the insurance company, Kang approached the State Consumer Disputes Redressal Commission.

Holding the insurance company guilty of deficiency in service, the commission had directed the company to pay compensation to the complainant in the form interest at a rate of 9 per cent per annum on the amount of Rs65 lakh from April 11, 2018, after three months from the date of the accident, till making the car roadworthy to the full satisfaction of the car owner with genuine and company parts.

However, the insurance company did not pay the compensation to the complainant, forcing the latter to approach the commission again for the compliance of its order.

Thereafter, the State Consumer Disputes Redressal Commission issued bailable arrest warrants of Rs 5,00,000 with on surety in the like amount for the insurance company manger in Faridkot, divisional manager in Ferozepur and regional manager in Chandigarh.

(The writer is Balwant Garg.)

TOP

Source

PENSION

EPS 95 Latest News 2019: Supreme Court judgement; Know what happens to your pension contributions on shifting jobs - Financial Express – 9th May 2019

The Supreme Court of India on April 1 2019 had dismissed the special leave petition (SLP) filed by the EPFO challenging the decision by the High Court of Kerala regarding the Employees’ Pension Scheme (EPS). As per the Supreme Court website, the EPFO has now challenged the judgment on April 30, 2019, the status of which is being shown as ‘Pending’.

With this, the Supreme Court judgment on EPS may get further prolonged. The contentious circular was first introduced in 2014 and there have been several court cases since then.

Here, we see the rules and what happens to the EPS money and also how to transfer the EPS on changing jobs.

For salaried individuals, pension is one of the sources of income that help them take care of the financial needs during retirement. While the Employee Provident Fund (EPF) helps to create a retirement corpus after several years of job, the Employees' Pension Scheme 1995 (EPS) helps in getting a regular stream of income called pension or annuity in the post-retirement phase. Both, EPF and EPS and governed and managed by the Employees Provident Fund Organization (EPFO).

Unlike the EPF funds (including contribution and interest) which one can withdraw at the time of leaving a job, the contribution towards EPS may not be paid to the employee leaving the job. As per the EPS rules, the EPS funds can be had as a lump sum only if the employee leaving a job has rendered a continuous service of less than ten years. Once the service period crosses ten years, the employee will mandatorily become eligible to receive a pension.

JOB LESS THAN 10 YEARS

If the service period is less than 10 years (at least six months), one may withdraw EPS funds or he or she can choose to opt for 'Scheme Certificate', which means EPFO will keep a record of the EPS contributions and the period of service and the employee can have a regular pension from EPFO after retirement.

Withdrawing EPS: To withdraw the EPS funds, one needs to submit the Form 10C. Those employees who have submitted details as per 'Form 11-New' and has furnished the Aaadhaar and bank details to one's employer and has also got the UAN activated by providing a cancelled cheque with name, account number and IFS Code may use the 'UAN based Form 10C' to withdraw EPS funds.

However, leaving job before ten years will mean a lesser amount and will be based on the time period and a corresponding factor as per the Table below:

Table: How much EPS money one gets before 10 years

Years of service	**Proportion of wages**
1	1.02
2	1.99
3	2.98
4	3.99
5	5.02
6	6.07
7	7.13
8	8.22
9	9.33

For example, if one with a basic salary of Rs 15,000 leaves a job after seven years, the amount of EPS money will be Rs 1,06,950 (Rs 15,000 * 7.13), almost the same amount that was contributed towards EPS.

Scheme Certificate: If the service period is less than six months, one is not allowed to withdraw EPS but can only opt for 'Scheme Certificate', which captures the cumulative years in the job. Further, no matter how many years you have been in the job, if you need pension on retirement, opt for the 'Scheme Certificate' in the Form 10C every time when you submit this form to your new employer.

JOB MORE THAN 10 YEARS

If you have already rendered continuous service of at least nine years 6 months, withdrawing EPS funds is no more an option. On shifting jobs, make sure to fill Form 10C indicating that you are applying for Scheme Certificate. From age 58, one starts getting full pension by filling Form 10 D or a reduced pension anytime after age 50.

Importantly, irrespective of the basic monthly salary one has at the time of retirement, the maximum pension that one can get is currently capped at Rs 7,500 per month because as per the formula for calcaution of pension, the pensionable salary is capped at Rs 15,000 and the service period is capped at 35 years.

It's high time, the employees' pension scheme needs a major overhaul keeping the present economic conditions in mind and rules need to be framed to the advantage of the workers with flexibility thrown in. Pension scheme, after all, is for the benefit of the employees' welfare who need to get a decent worth on their pension contributions.

(The writer is Sunil Dhawan.)

Source

TOP

Does EPFO have enough surpluses to pay out a 8.65% interest rate? - Financial Express – 7th May 2019

Does the Employees' Provident Fund Organisation (EPFO) have enough surplus to pay out a 8.65% interest rate for 2018-19? Questioning the Fund's exposure to IL&FS and similar risky entities, the ministry of labour and employment has been asked by finance ministry to explain whether the EPFO has sufficient surplus for the payout decided for last fiscal especially if some of these investments turn bad.

In a missive sent to labour secretary last week, the ministry has been asked to explain a key question: why the "surplus" after payout of EPF interest rate for previous years is shown only in the EPFO's "estimates," but not reflected clearly in the "actuals" over the years?

The finance ministry has sought details about the exposure of EPFO to IL&FS and other such similar risky entities, an official said. The missive comes after several rounds of discussions between the two ministries, which have so far resulted in "less than sufficient" clarification.

The latest publicly available audited accounts of EPFO for 2016-17 has an entry of "income over expenditure" on a cumulative basis but does not provide specific details. It is learnt that the Labour Ministry was asked whether it has enough surplus to be carried forward for the next fiscal. "In case of a default, the liability to pay to EPFO subscribers would be with the government. That's why due diligence of the EPFO's accounts is being undertaken," the official said.

An EPFO official, however, said: "All our calculations are correct. We have been doing this exercise for the last 20 years or more. It's not a new methodology we are following. Finance Ministry has raised some queries and we are replying to these." When asked about exposure to IL&FS, the EPFO official said they have been asked to explain how they will manage, in case they lose the money invested in IL&FS. "They should not be worried since nothing has happened so far," the official added.

The Standing Committee on Labour in its 57th report in February had estimated EPFO's investment in IL&FS at Rs 574.73 crore. The investment by exempted firms, which manage EPF accounts on their own for their employees, is over and above this amount. The standing committee had then asked the labour ministry if the beneficiary/worker would be put to any disadvantage in case of any undue losses and as to how the loss is made good of to which the Ministry had said that “losses, if any, are made good from the surplus”.

In a pre-election announcement, the Central Board of Trustees (CBT) of the EPFO in February recommended hiking the interest rate for its 6-crore active subscribers to 8.65% for 2018-19 from a five-year low of 8.55% in the previous financial year. As per the EPFO’s estimates shared in the February meeting, at 8.65%, the estimated surplus is Rs 151.67 crore. Retaining the previous year’s interest rate of 8.55% would have resulted in a surplus of Rs 771.37 crore and an interest rate higher than the recommended rate at 8.7% would have resulted in a deficit of Rs 158 crore, as per the estimates.

This compares with an estimated surplus of Rs 586 crore in the previous financial year when the EPFO decided to pay an interest rate of 8.55%. Queries sent by The Indian Express to the labour ministry on this issue went unanswered. The labour ministry is yet to respond to finance ministry’s queries.

These deliberations are a part of the ratification process of the EPF interest rate of 8.65 per cent for 2018-19. As per convention, after the EPFO’s CBT recommends the interest rate, it has to be ratified by the Finance Ministry and then it gets credited into the accounts of the EPFO’s subscribers. If approved, the increase in interest rate will yield an interest rate higher than most small savings instruments, which are linked to yield on government securities.

TOP

Source

Is EPF alone good enough for your retirement? Find out before income falls short in your lean years - Financial Express – 7th May 2019

For a very long time, the Employees’ Provident Fund (EPF) was the logical method of saving for retirement. With a 12% tax-free contribution by the employee and a matching 12% tax-free contribution by the employer, it was an absolutely tax-efficient option for employees. In addition, the interest paid on the EPF was also fully tax exempt in the hands of the investor. All these made a lot of sense as long as EPF was paying market rates of interest.

Over the last few years, however, the rates of EPF have been coming down consistently for 2 reasons:
1. General rates of interest in the economy have been falling
2. The government is keen to overcome the distortion in debt markets.

For the latest financial year (2018-19), the EPF rate of interest stands at just about 8.65% (as approved by the Finance Minister recently), although the tax benefits for the employee continue at the same level. Now, therein lies the problem. Apart from EPF, there are other investment options for the employee where tax benefits can be derived and the corpus can also be made to grow consistently.

Should You Worry?
Whatever be the case, financial experts say that the EPFO manages a huge corpus of retirement funds of employees in India. In fact, it is the world’s largest social security organisation having more than 17 crore accounts. These funds promise a fixed interest to the depositors, determined every year by the Finance Ministry. The Finance Ministry has recently ratified 8.65% interest on EPF for 2018-19 — the first increase during the last 3 years. The interest rate on EPF was 8.55% in 2017-18, 8.65% in 2016-17, and 8.8% in 2015-16.

Over the last two decades interest rates have gradually but surely come down. While this phenomenon of falling interest rates is very encouraging for investments and economy as a whole, it raises concerns over the sustainability of high fixed return instruments like EPF. In fact, currently debt paper of triple A rated companies would fetch a rate slightly lower than the promised interest rates. So, should one be concerned about the security of one's money lying with EPFO?

"This concern, according to me, is not a very serious one on account of the following two factors. Firstly, EPFO is a government organisation set up by an act of Parliament. The onus of ensuring that all drawdown in returns are adequately accounted for and corrective action is taken rests with the government of the day. In a democratic set up, no elected government can mess up with such large savings spread across so many depositors," says Ashish Kapur, CEO, Invest Shoppe India Ltd.

Secondly and more importantly, all these concerns were in fact more valid till the year 2014. Beginning from the financial year 2014-15, the Government of India took a historical step to start investing a part of their incremental additions in equity markets. It started with a 5 per cent contribution which has gradually increased to 15 per cent.

There are chances that this limit may be further hiked to 25%. Equity investments are known to generate high returns worldwide over longer periods of time. In India over the last 30 years, equities have generated higher than 15 per cent average annualised returns.

"Even if these returns were to moderate a bit going forward, it is safe to assume that the equity part of the total corpus would certainly achieve a much higher rate of return than the promised interest rate. That would more than offset any drawdowns that may happen on the larger part of the corpus which is being invested in high-quality debt instruments.

Also, kindly note that equity investments are currently not going beyond the Nifty or Sensex stocks. This ensures not only stability and high quality of stock selection, but also majorly removes risks and chances of errors in stock selection," says Kapur.

Experts, therefore, say that EPF contributions are absolutely safe and secure, and depositors need not worry at all.

The Question of Debt Vs Equity

Still the question remains: Is EPF good enough for your retirement? Or, you need to look for some other investment options also?

According to financial experts, the Indian saving pattern has a unique kind of distortion in its basic structure. For example, people have been using debt investments like EPF and PPF for long-term retirement savings. However, it is in the long term that equity as an asset class performs really well.

"Therefore, to look at debt as an investment in the long run goes against the basic grain of risk-reward ratio. In reality, your long-term money should be invested in equities while your short to medium-term monies can be invested in debt. That is where products like Mutual Fund ELSS can come in extremely handy. Like EPF, the ELSS funds also provide Section 80C benefits," says Ketan Shah, Chief Revenue Officer, Angel Broking.

Of course, the dividends are subject to withholding tax at 10% while long-term capital gains are now subjected to a 10% flat tax above Rs 1 lakh. But ELSS provides you the benefit of superior returns in the long term compared to EPF. "When it comes to your long-term financial plan, it is all about making money work hard on your behalf. That is something only an ELSS can help you with," adds Shah.

Conclusion

While EPF can continue as a statutory contribution, you need to remember equities will give higher return in the long term, irrespective of the robustness of the economy and the strength of the markets. "To that extent, it is essential to blend EPF with ELSS. Secondly, the rate of interest on EPF is 8.65%, which is not a very good return and may again come down in the future. That is something most of you relying on EPF investments need to be cautious about," says Shah.

(The writer is Sanjeev Sinha.)

Source

[TOP](#)

PFRDA looking to coordinate with Nasscom, startups to use regulatory sandbox for social security programme - Financial Express – 5th May 2019

Pension fund regulator PFRDA is considering to coordinate with IT industry body Nasscom and start-ups to "create a buzz" around its plan to use regulatory sandbox or live-testing of innovative products for its flagship social security programme NPS. The regulator is in the process of undertaking steps to identify the areas under the National Pension System (NPS) which could utilise the financial technologies (fintech) using the regulatory sandbox approach for the benefit of subscribers and NPS as a whole.

A regulatory sandbox (RS) usually refers to live-testing of new products or services in a controlled and test regulatory environment for which regulators may or may not permit certain regulatory relaxations for the limited purpose of the testing. Last month, the Reserve Bank of India proposed that fintech start-ups could set up regulatory sandbox in segments such as retail payments, money transfer, artificial intelligence and data analytics in the financial sector.

"It is important to create a buzz around the regulatory sandbox for its success. Hence, the Authority may like to publicise the launching of sandbox activity at each stage through social media and other platforms," said a report of the committee set up by the PFRDA. The panel has proposed that a website for the RS may be launched or a separate section may be created on the existing Pension Fund Regulatory and Development Authority (PFRDA) website.

"The Authority may coordinate with Nasscom and the 10,000 start-up programme for tapping into the Information Technology start-ups and draw their attention to PFRDA Sandbox for effective participation," is one of the key recommendations of the panel. It further said the PFRDA may share findings from the test with the financial services industry and regulators, while ensuring that no confidential information such as consumer data or proprietary information is disclosed.

The panel notes that the fintech applications may be useful in areas like paperless pension account generation, compliance to Know Your Customer/due diligence and prevention of money laundering, financial inclusion and flow of contributions from subscriber through banking channels to pension funds, among others.

The regulator has sought comments on the report of the committee by May 21. The NPS utilises a completely digital architecture with pension funds, custodian of securities, central record keeping agencies, points of presence and government nodal offices among other intermediaries which are engaged with the System in terms of data/information as well as money flow.

TOP

Source

PFRDA must insist on pension funds to beef up their risk assessment norms - The Hindu Business Line – 5th May 2019

Ever since IL&FS defaulted on its debt obligations last year and flagged off a liquidity crisis across the NBFC sector, mutual fund managers have faced strident questioning on their troubled corporate bond exposures. Mutual funds' open-ended nature, daily NAV disclosures and significant institutional participation has made sure that their doubtful credit calls cannot escape public scrutiny. SEBI has tweaked its regulatory framework for debt mutual funds to ensure prompt disclosure of losses, mark-to-market valuation and a side-pocketing mechanism to ensure that investor interests aren't compromised when credit calls go awry. But there seems to be no such standard operating procedure in place for pension funds, who are significant players in the corporate bond market and manage retirement savings of retail investors. *BusinessLine* reports suggest that pension fund holdings in IL&FS amount to a sizeable ₹ 1,200 crore, with both the National Pension System (NPS) and Atal Pension Yojana featuring the paper.

Indian pension fund regulators have traditionally seen no reason to ready their regulatory framework to deal with default events, because these funds are bound by mandate to be quite conservative with their corporate bond exposures.

PFRDA's investment guidelines, for instance, specify that the NPS money can only be deployed in government securities or corporate bonds rated AA and above by at least two credit rating agencies. But then, a string of recent defaults by AAA or AA-rated entities including IL&FS have shown that high investment-grade credit ratings, in the Indian context, are no guarantee that a corporate borrower will not renege on payments. Rating agencies can effect multi-notch downgrades at whim and once defaults or downgrades transpire, market liquidity for such corporate bonds completely dries up.

Given that the brewing NBFC crisis may unleash more credit events, it is now imperative for PFRDA to rethink its valuation and risk management framework for NPS exposures in corporate bonds. There is even a case for barring such exposures in the Atal Pension Yojana, meant for low-income earners.

The regulator must bear in mind that the NPS, unlike debt mutual funds, offers a very low management fee to AMCs, locks in investors and attracts very little public scrutiny. Therefore, there need to be clearer deterrents to NPS managers taking on undue credit risks and delaying mark-downs of downgraded bonds. NPS investors still can't exit based on such disclosures, but they can certainly switch assets or managers to reduce risk.

There has also been a clamour for Indian pension funds to increase their allocations to lower-rated bonds to aid in the development of the bond market. But experience so far suggests that relying on third party credit ratings to take such calls is fraught with risk. PFRDA should insist on pension fund managers beefing up their in-house credit assessment teams and risk controls, before considering changes in its investment norms.

TOP

Source

EPFO may move Supreme Court against high pension - The Economic Times – 4th May 2019

If you were celebrating the prospects of higher pension from the Employees Provident Fund Organisation (EPFO) after the Kerala High Court ruling, here's some bad news. The EPFO is reportedly planning to challenge the high court order in the Supreme Court. Under the existing rules, a person covered by the Employees' Pension Scheme of the EPFO will be paid a monthly pension based on his last drawn salary. But the salary used to calculate pension is capped at Rs 15,000 a month. The Kerala HC had directed the retirement body to remove the cap and pay pension based on the full salary of the worker.

EPFO officials argue that the monthly contribution to the EPS pool is too low and will not be able to sustain the higher pension. They point out that a cash crunch has already forced the EPFO to shelve a plan to double the minimum pension from Rs 1,000 to Rs 2,000.

Right now, workers covered by EPFO contribute 12% of their salary to the Provident Fund and an equal amount is contributed by their employers. Of the 12% contributed by the employer, 8.33% goes into the EPS. But this amount is capped at Rs 1,250 a month. If a worker desires a higher pension equal to 50% of his last drawn salary, the entire 8.33% of his basic salary will have to flow into the EPS.

That's not all. Such workers will also have to make good the arrears of the previous years by shifting money from their Provident Fund accounts to the EPS. This will reopen the books and pose a computation challenge to the EPFO.

TOP

Source

Deferred Annuity Vs Immediate Annuity Pension Plan: Which is a better option for your retirement? - Financial Express – 4th May 2019

'Outlive your life and not your savings'. This quote talks about the key need for retiring in peace: having a substantial corpus that takes care of daily and emergency expenses in the absence of a regular income. Developing that corpus is a long-term goal for almost every salaried individual, but succeeding in the goal isn't likely to happen by accident. It takes proper planning with enough knowledge at an early stage of your life to start investing in your retirement funds.

Now the question arises, how prepared are Indians for their retirement age? As per a retirement survey by HSBC future of retirement study, although more than 70% of working age people desire to lead a comfortable retired life. Out of that number, only 1/3rd are actually putting aside money to fund that stage of life. The other 2/3rd expect to depend heavily on their children with a belief that their children will take care of them when they grow older and, therefore, they don't consider investing in their own financial future.

A retired person's most important concern is regular income. An annuity product is a financial tool which gives you regular revenues throughout your life. Annuities are getting more popular now as they offer guaranteed income and people are looking for smarter ways to manage retirement savings. People looking to make an investment in terms of their financial future can opt for annuity products, sold by life insurance companies.

Types of annuity
Annuity can be bought at any time in your life. Some people choose to buy it when they are close to their retirement age, while some people prefer it during their mid-career who wish to secure their assets. In life insurance, there are products that help you accumulate a corpus with which you can buy annuity later, but if you have ready corpus, you can buy annuity immediately. These are called deferred and immediate annuities, respectively.

Deferred annuities essentially help people to save for the future where they let you invest regularly to first build a corpus and one you retire you get pension from this amount. It requires customers to pay premium which plans can be systematic or one lump sum premium. When the tenure period ends, the accumulated money is used to buy an annuity, although in deferred annuity plans, only 1/3rd of the corpus can be withdrawn tax free and the remaining 2/3rd will be have to be taken as compulsory annuity turning into steady monthly income. It is always advisable to invest in your early stage so that one has enough corpus for the future. The longer you leave your investment, the better it will grow. For instance, Rohit is 35-year old and is planning to have a financially secure future for his later years. If he pays Rs 6,000 as monthly premium for 15 years, the fund value he will get will be around Rs 17,00,000 at the return rate of 8%.

S.no	Insurer Name	Plan Name	Fund Value
1	HDFC Life	Click2Retire	16,83,784
2	ICICI Prudential	Easy Retirement	17,30,396

Source: www.policybazaar.com

Immediate annuity plans are for people who want to invest at a later stage of life. With an immediate annuity, you hand over a lump sum cash to the insurance company and in an exchange the company starts making you monthly payment like an income stream. It is a great choice for those people who are near their retirement stage and have a corpus ready with them to buy an annuity immediately. They differ from deferred annuities as they do not have an accumulation period. After an annuity is chosen, the distribution begins 12 months after the purchase.

As per the table below if at the age of 55, if you invest Rs 50 lakh as a lump sum amount, you will get will be around Rs 4 lakh as yearly pension till the time you are alive.

Amount invested: ~50 lakh	Age 55		Age 60	
Plan	Yearly pension (~)	IRR (%)	Yearly pension (~)	IRR (%)
HDFC Life New Immediate Annuity Plan - Life Annuity	4,27,308	6.95%	4,54,322	6.51%
IPru Life Immediate Annuity Plan - Life Annuity	3,81,929	5.75%	4,02,712	5.04%
LIC India Jeevan Akshay- VI	4,17,682	6.70%	4,52,947	6.48%

Source: www.policybazaar.com

Conclusion
The goal is not just to invest for your retirement plan; the goal is to choose the right product for your golden years which is specially designed to meet your needs and help you build a secure future.
According to experts, the best way is to buy annuity is to look at the past track record of the annuity provider than being carried away by product features or promotions.

(By Santosh Agarwal, Chief Business Officer-Life Insurance, Policybazaar.com)

Source

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IRDAI CIRCULARS

List of Insurance Marketing Firms as on 01.04.2019 is available on IRDAI website.

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List of corporate agents registered with the authority as on 08 May 2019 is available on IRDAI website.

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IRDAI issued exposure draft on IRDAI (Re-insurance Advisory Committee) Regulations.

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IRDAI issued guidelines on settlement of insurance claims of victims of recent cyclone (Fani) in Odisha and the neighbouring states to Chairman/CEOs of Life Insurers.

TOP

Source

GLOBAL NEWS

Singapore: Life insurance industry grows by 1% in Q1 2019 – Asia Insurance Review

The Life Insurance Association, Singapore (LIA Singapore) has revealed that the sector recorded a total of S$937.2m ($687.1m) in weighted new business premiums for 1Q2019, marking 1% growth from the same period in 2018. LIA said that this growth is in line with the country's growth outlook for the quarter based on preliminary data released by the Ministry of Manpower (MOM) which reflected a steady labour market.

LIA's set of results for the life insurance industry in 1Q2019 show that there was a continued steady increase in the uptake of annual premium policies in the first quarter, which rose by 11% from the corresponding period in 2018 and amounted to S$712.5m in total weighted annual premiums.

However, the life insurance industry's uptake of single premium policies recorded a 20% decline year-on-year primarily due to slowing global and local economic growth. This resulted in the sustained uptake of annual premium products mitigating the decreasing uptake of single premium products.

More opt for retirement and healthcare protection
With Singapore facing a rapidly ageing population, the industry recorded an 84% increase in the uptake of retirement policies by policy count in 1Q2019. These policies are designed to provide regular payouts during policyholders' retirement years. Making up about 12% total weighted premiums for 1Q2019, retirement policies totalled S$109m weighted premiums for this quarter.

Meanwhile, total new business premiums for individual health insurance for 1Q 2019 amounted to S$97.3m and integrated Shield Plans (IPs) was found to be a significant component of health insurance. Approximately 68% of Singapore residents are now protected by IPs and riders, which provide coverage on top of MediShield Life.

(The writer is Ranamita Chakraborty.)

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Japan: Companies develop products for uninsured tourists – Asia Insurance Review

In anticipation of the influx of visitors to Japan for the upcoming 2020 Tokyo Olympic and Paralympic Games, local insurers are devising new products to cater to tourists visiting the country, according to The Yomiuri Shimbun.

Japan is currently seeing a large number of foreign visitors who arrive in Japan without any travel insurance. A recent survey by Japan's Tourism Agency revealed that 30% of visitors to Japan did not purchase travel insurance and 20% of hospitals treating foreign visitors reported cases of unpaid medical bills.

To address this problem, the Japanese government is trying to get more foreign visitors to purchase insurance in co-operation with Tokio Marine and Sompo Japan. The insurers are reported to be distributing flyers in Chinese and English at tourist information centres and airports to encourage foreign visitors to purchase insurance.

At the same time, insures are racing ahead to provide protection for parties affected by the issues caused by the lack of insurance among tourists.

Last month, AioiNissay Dowa Insurance introduced an insurance product for medical institutions which covered medical expenses that are unpaid by foreign visitors. Its regular plan covers both hospitalisation and outpatient treatment charges at a fee of JPY4,790 ($43) per patient and covers up to JPY10m.

Several insurance products are also available for private guest houses. Sompo Japan Nipponkoa Insurance's new insurance covers up to JPY100m for guest houses and the insurance premium depends on the number of days the guest house operates.

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Sri Lanka: Travel insurance to drive tourism after bombings - Asia Insurance Review

Following the Easter Sunday attacks in Sri Lanka last month, tourism took a massive hit with estimated losses amounting to $1.5bn and a significant number of travel advisories issued against visiting the country. Seeking to attract tourists once again, tourism minister John Amaratunga said that the government is planning a travel insurance for tourists and will work out the quantum, reported local publication Economy Next. He also said that the industry has suggested $100,000 to $150,000 of cover for the insurance which has already received cabinet approval.

At the same time, promotional campaigns are being planned and talks are underway with international airlines to negotiate lower ticket prices, said Mr Amaratunga.

Addressing concerns of security in the country, the government has also tightened security at hotels and tourist attractions as well as progressed in closing down a terror network which carried out the bombings. Officials are planning to communicate regarding the improvements in security to the diplomatic community and persuade them to relax travel advisories.

According to Sri Lanka Association of Inbound Travel Operators (SLAITO) president Haritha Perera, several travel agencies had stopped selling Sri Lanka travel packages globally as insurers were reluctant to provide over cover.

"Sri Lanka has to get a security audit done by a reputed international company, to endorse and certify the positive security situation in the country in the aftermath of the 21 April incidents. It will also be important at this moment to get the travel bans out of the way," said Mr Perera.

Sri Lanka was rocked by a series of co-ordinated bomb attacks at three churches in Colombo, Negombo and Batticaloa as well as hotels Kingsbury, Shangri-La and Cinnamon Grands in Colombo last month which killed at least 257 people including tourists. The attacks came as a surprise as Sri Lanka was perceived to have a low terrorism risk after a violent civil war between the separatist Tamil Tigers and the government ended in 2009.

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Thailand: Risk of violence in hospitals calls for state-backed life insurance - Asia Insurance Review

With rising violence against personnel in state hospitals, the Thai government has proposed a THB2m ($0.63m) life insurance coverage for each medical staff working at emergency wards according to the Public Health Ministry's permanent secretary Dr Sukhum Kanchanapimai who was speaking at a seminar, reported local publication Thai Visa news. In the last seven years, there has been over 51 violent incidents in state hospitals which have caused a total of 10 deaths and left 56 injured.

At the same seminar, assistant to the Medical Council of Thailand's secretary-general, Passakorn Wanchaijira boon said that his council had conducted a survey regarding security at emergency wards for 1,726 medical personnel from 20 to 30 April.

The survey found that around 51.5% of the respondents reported experiencing some form of violence one to three times on average every year and 54.9% of respondents regarded the risk of violence as contributing significantly to medical personnel resigning.

The survey also revealed that around 48.4% of the incidents had led to common injuries, while 26.9% had resulted in organ loss and even death. For 96% of the cases mentioned, the main reason behind violence was inebriation which led to 97.2% of respondents supporting a ban on drunk visitors to emergency wards.

To improve security in state hospitals, the government has also proposed a review of emergency wards' layouts, double doors with controlled access and additional CCTV cameras. Current security measures at emergency wards include having guards on duty, alarms for staff to call for help, safety drills and self-defence training.

According to Dr Kanchanapimai, court trials are ongoing for four cases of alleged intrusion at a hospital's emergency ward. An unknown number of similar cases are also under the public prosecutor's review.

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Malaysia: Takaful industry strives to offer affordable products to close protection gap - Asia Insurance Review

In tandem with Bank Negara Malaysia (BNM)'s objective of bridging the protection gap, the Malaysian takaful industry is advocating for more affordable products targeting the B40 group (bottom 40% of household incomes), reported Malaysia national news agency BERNAMA. With BNM setting a target of 25% takaful penetration rate in the country by 2020, Malaysia Takaful Association (MTA) chairman Muhammad Fikri Mohamad Rawi said that MTA along with its members have been working hard to achieve the target.

Perlindungan Tenang is a major example of available affordable products as it is an inexpensive insurance and takaful scheme with a starting price of MYR39 ($9.41) yearly. Launched in 2017, it is a combined initiative of the MTA, Life Insurance Association of Malaysia and General Insurance Association of Malaysia under the purview of BNM.

Speaking at the sidelines of the Takaful StarNite award ceremony on Saturday, Muhammad Fikri Mohamad Rawi said, "The amount of sign-ups for PerlindunganTenang is very positive, but it is still a challenge for us to reach out to those in the outskirts as they might not understand the necessity for such protection. But we will continue to reach out and educate the masses on the matter."

The Malaysian takaful industry saw an uptrend in its performance last year with new takaful protection value of $324.2bn. New business contribution for all certificates combined in 2018 totalled MYR4.91bn.

"The protection value grew by 14.5% from 2017 with a double-digit growth of 13.1% in the family takaful business contribution over the MYR4.35bn recorded in 2017. As a whole, the takaful industry added 699,534 new certificate holders, which was an increase of 4.6% from the previous year," Mr Fikri said.

At the same event, Economic Affairs Minister Datuk Seri Azmin Ali said that the buoyant performance of the takaful industry reflected the increasing familiarity with the takaful concept among Malaysians. However, he pointed out that the Malaysian population remained under-served with only 15.2% of Malaysians having takaful coverage even though the Muslim population stood at over 60%.

"In other words, this industry is primed for robust growth and there is a need to aggressively bring about awareness to promote the value proposition and distinct features of takaful to the Malaysian population," he said.

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