भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

INSUNEWS

Weekly e-Newsletter

16th – 22nd March 2019

Issue No. 2019/12

QUOTE OF THE WEEK

"All differences in this world are of degree, and not of kind, because oneness is the secret of everything."

Swami Vivekananda

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Third-party cover

Third-party cover in a motor insurance policy provides coverage against legal liability that arises during an accident. It covers any damage or loss to the third-party's property or death/disability of third-party, caused by the insured's vehicle and at the fault of the insured. For instance, if you hit the rear of the car in front of you, then this insurance kicks in and covers the damages to the other vehicle.

Damages to your own vehicle will be covered under 'own damage' insurance cover.

While third-party insurance is a statutory requirement under the Motor Vehicles Act, the 'own damage' cover is optional.

Most motor insurers provide a comprehensive cover with both third-party and own damage cover put together in the same policy.

Source

INSURANCE INDUSTRY

Attention insurers! Spread awareness about insurance benefits first – Financial Express – 19th March 2019

Every year insurance companies achieve higher sales as compared to the previous year. But at the end of every year, industry leaders are dissatisfied with their performance because of one perpetual truth—the performance could not match the potential in the market. It is therefore imperative that the root cause that leads to perpetual dissatisfaction is identified and analysed. The financial year 2018-19 is going to be over but the industry must prepare itself for such performance during the next financial year and beyond so that the same frustration does not confront it again.

Insurance is sold

People keep spending and buying goods and services to make their life comfortable and insurance does not occupy their mind space. What insurers want to sell and what people want to buy do not naturally meet each other. That is why the saying "Insurance is never bought, it is sold" still holds well.

Any event such as a mere collision between two vehicles or sinking of a ship or a plane crash or even a house on fire ultimately leads to setbacks to ongoing life or business and causes loss of life and property. In spite of the well-acknowledged fact that these cause severe setbacks to an individual, a society or a nation the need of tackling such a situation for bringing life back to normalcy is seldom felt or understood by the individuals. In all such situations insurance alone provides the remedy.

Likewise, life insurance provides instant financial security if the breadwinner dies. But the ground reality is that there is a gross lack of awareness among people of any structured and scientific method to confront such situations and restore normalcy at the earliest.

Financial security

It is universally acknowledged that since people do not feel the need of insurance, they need to be told about it by someone. While it is a fact that to come back to terms with life after a major tragedy is very

difficult, still the mechanism needs to be put in place so that the adverse situation is dealt with scientifically and not left to chance.

Insurance fills up this gap and is the only scientific method to mitigate the hardship caused to someone by unforeseen events. But the million-dollar question is who will bring this knowledge to people who are not aware of the benefits of insurance. Making attempts to sell more insurance is always jeopardized by the fact that the concept of insurance is not universally acceptable. Experts on insurance are unanimous that "lack of awareness among students and the youngsters is the only hindrance in universalising the concept of insurance". Now the question is how to raise the awareness quotient. Unfortunately in our country research is rarely conducted on the consumer behaviour in the insurance industry. Hence there is no authentic data on insurance awareness in our society.

Insurance awareness

What insurance provides is a mitigation mechanism in case of loss and the probability of loss is always high in anybody's life. Awareness programme on insurance should begin when a child is in primary or high school. Gradually, she should be made to believe in insurance as a scientific tool to reduce the impact of an adverse condition on life or property. Currently, only when the law mandates buying certain insurance policies, people do so. Otherwise, nobody cares about protecting himself, his family or his business against sudden tragic events.

The advertisement campaigns often launched by insurers focus on promoting particular insurance plans and not the concept of insurance. The regulator has to play an important role in this regard by making insurance awareness the responsibility of insurers, both life and non-life. We do not have to look anywhere else for finding reason of poor insurance penetration in India at 3.69%. The buoyancy in the insurance market will continue to elude the Indian insurance industry until demand is induced by high awareness about the benefits of insurance. Sales without sensibility in cultivating a market would always result in mediocre performance.

(The writer, Mr. Kamalji Sahay, is former MD & CEO, Star Union Dai-ichi Life Insurance)

TOP

Source

Insurance tech gets crowded - Hindustan Times –– 19th March 2019

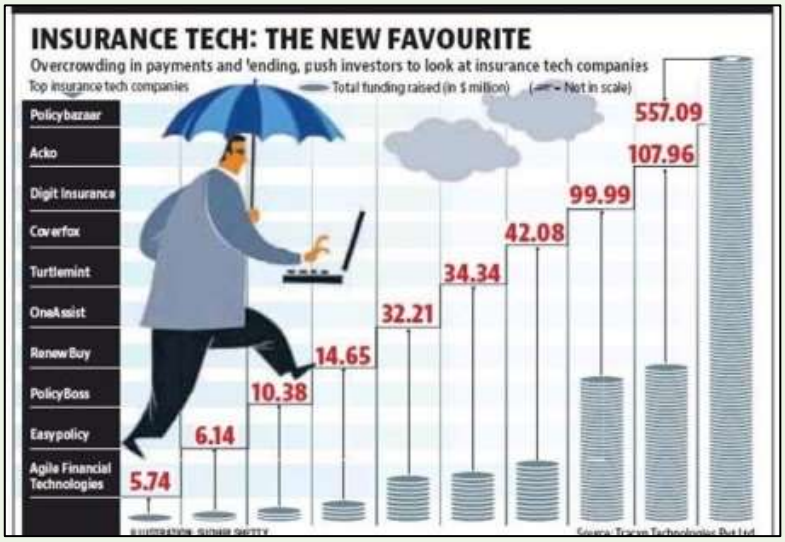
Binny Bansal, founder of Flipkart, recently invested in an insurance technology company. Clearly, insurance technology companies seem to be attracting investors' attention since 2018. In the first two months in 2019, out of the $397 million raised by fintech companies, $220 million was pumped into insure tech companies, according to Tracxn Technologies Pvt Ltd, a data analytics firm. Policy Bazaar raised $191.6 million followed by Turtle mint ($24.9 million) and Aureus Analytics ($3.1 million). Though the deal happened in 2018, it closed this year. Insurance technology as a segment in the overall fintech ecosystem is still at a nascent stage. However, there are 146 active companies in this segment. HT Money looks at some the insurance technologies segment to understand what it brings to the consumers and investors:

Rise of insurance technology companies

Overcrowding in payments and lending technology companies has pushed investors to look at newer avenues, such as insurance technology firms. "Investment in the payments and lending companies has matured and the sector is crowded with too many companies. However, cumulative investment is still lesser in insurance compared to banking," says Abizer Diwanji, partner and national leader, financial services, EY. However, in the bargain, insurance technology companies have started getting crowded too. To begin with, this category can be divided into – digital only insurance company which holds insurance licence, insurance aggregators and companies that act as a platform for agents.

Digital only insurance companies

Digit Insurance and Acko Insurance are examples of digital only insurance companies which have insurance licences and distribute insurance product directly to customers without middlemen. They are manufacturers of the insurance product and sell only on the digital platform. Hence, if you are buying a car insurance policy from Acko platform, you will only get an Acko car insurance. Companies such as Toffee Insurance that create bite-size insurance products can also fall in this category – the difference is they go to insurance companies to create customised products and then sell on the platform.



Insurance aggregators

Aggregator companies such as Policy Bazaar and Coverfox provide insurance products of various insurance companies on their platform, which you can compare and buy. Here these companies don't manufacture insurance policies but sell policies manufactured by insurers on their platform. For instance, you can buy health insurance policies of Apollo Munich or Max Bupa from these platforms. You can speak to an advisor as well. These are not insurance companies but online platform that sell it.

Platform for agents

Considering insurance is a push product, you will need agents to sell insurance. These are sub-broking platforms where there are companies such as Turtle Mint and Renew buy which are creating platforms for agents that are able to sell multiple products. Till a year ago, agents were not able to sell multiple company products and hence, they were not able to monetise will. These platforms provide sub-agency or sub-broking licence.

How to choose the right insurance policy online?

Insurance as a product is not an easy one to buy, given the total number of products in the market.

"There are over 50 insurers with over 300 variants of health cover. In case of life insurance, there are at least 250 policies including term plans, traditional plans and unit-linked insurance plans," said Kapil Mehta, co-founder, Securenow.com, an insurance broking company. Given that there are close to 150 fintech companies to buy insurance from, how do you decide where and how to buy from? Firstly, remember that you need a basic life and health insurance plan depending on your age, location, income and dependants. You can choose to go the insurance aggregators to compare insurance products before buy. When it comes to bite-size insurance plans, it is advisable to look for exclusions and claim ratio before opting for one. Seek help of a financial planner if you are not sure which one to buy.

(The writer is Sonali Chowdhury)

TOP

Source

Amazon India, Flipkart ready to tap Rs 35,000-crore online insurance market - Business Standard – 18th March 2019

After fashion, electronics and groceries, India's two biggest e-commerce players Amazon India and Flipkart are ready to tap the Rs 35,000-crore online insurance market for the next level of growth. The online insurance market is so promising that Flipkart's co-founder Binny Bansal and Amazon have made mega investments in the same firm in this space.

The two companies have been perfecting their game plans and scouting for partners for tie-ups. From general, life, auto, and travel to mobile phone safety insurance, both companies aim at getting the lion's share in online insurance pie. The firms are also bringing senior hands in the insurance space to understand the sector and ready their plan. By the year-end, this could be the biggest vertical for these firms outside of shopping.

Drawing battle plans

According to sources in the know, both Amazon India and Flipkart have been working on their insurance plans for the past four months or so. While some of the products have already been introduced, sources said the major push to the vertical would be given through the rest of 2019.

Sources said while the plan was to roll out insurance products in the first half of this year, things got delayed as the companies were caught in getting their houses back in order, following the introduction of foreign direct investment (FDI) in e-commerce norms.

"We are pleased to receive the corporate agency licence from the Insurance Regulatory and Development Authority. At Amazon Pay, we continue to work customer backwards and focus on providing value to customers wherever we see an opportunity, insurance being one of them. We are exploring the landscape in India and are looking at insurance solutions that provide a convenient and seamless experience for our customers," Amazon India spokesperson said. Flipkart did not comment on the issue.

Sources said the firms plan to weave in insurance into various verticals as well as provide standalone insurance products. "Amazon and Flipkart both sell have travel and ticketing vertical on their platform. They can provide travel insurance as part of the package. Similarly, they can provide theft and damage insurance for high-value electronics. They will soon start selling general and life insurance," said a source close to the firms.

Forming alliances

Amazon India sources said plans to get into tie-ups with multiple firms to order the whole bouquet of services. Flipkart is also looking out for insurance firms to partner with. "They will not come out with their own product but in partnership with companies. Providing insurance would complete the package and offerings for these e-commerce firms," added the source.

(The author is Karan Choudhury)

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Source

Insurance industry wants IFRS 17 adoption deferred - Deccan Chronicle – 18th March 2019

Insurance industry bodies have asked the regulator and the government to defer the implementation of the new global accounting standard IFRS 17 till the time when it is implemented internationally and the teething troubles are rectified. They find that India does not have to pioneer in the implementation of the standards.

The General Insurance Council, Life Insurance Council and Institute of Actuaries of India have written to IRDAI and the government seeking deferment of the new accounting

standards. While the International Accounting Standards Board has postponed the implementation of IFRS 17 to Jan 2022, IRDAI has set a deadline of 2021 to roll out the process towards adopting the new accounting standards.

"We don't have to hurry with the implementation of IFRS 17 or its IND AS equivalent. IFRS norms like risk-based capital framework is necessary to assess the financial strength of a company, but the new system will require a lot of cultural change. Bigger companies will have to redo everything. On behalf of the insurance companies, we have requested the regulator and the government to wait till IFRS 17 is implemented internationally, the teething troubles are corrected and we are able to assess the impact of the new standards," said R Chandrasekaran, Secretary General, GIC.

(The writer is Sangeetha G)

TOP

Source

How to get complaints resolved when insurance companies don't act - The Economic Times – 18th March 2019

For policyholders, the insurance ombudsman offices offer hope when insurers fail to redress their grievances, despite escalation to senior executives. Since an insurance ombudsman's orders are binding on insurers, there is little room for them to wriggle out. However, what if the insurance companies accept the award and fail to, or delay, implementation?

Violation of faith

A recent circular from the Insurance Regulatory and Development Authority of India (Irdai) says between April and December 2018, many insurers neither complied with the ombudsman verdict within 30 days of receiving the award nor filed appeals within 60 days. "Few insurers are submitting that they have complied with the award post timelines stipulated.

Non-compliance within the timelines severely undermines the grievance redressal framework," noted Irdai. The regulator also pulled up insurers for not specifying reasons for delay. It also issued a warning. Taking note of the transgressions, Irdai stated: "Non-compliance of awards by insurers within the timelines prescribed will be viewed very seriously."

Clearly, the possibility of the commitment made during a hearing not being honored is a cause for concern not only for the insurance regulator and ombudsman, but also for aggrieved policyholders. A delay in payment of compensation adds to their grievances. While the regulator will take action as it deems fit, policyholders ought to understand the rules and rights they are entitled to in case of flawed implementation of the ombudsman awards.

Grievance redressal

If you are one of those who have got the rough end of the stick from insurers twice over, you will have to persevere further to get your due. "The ombudsman awards are binding on insurers. There may be a delay, but they have no option but to comply.

Irdai as well insurance ombudsman offices monitor compliance closely and follow-up with insurers," says Milind Kharat, Insurance Ombudsman, Mumbai office. You can enlist the intervention of these two entities again for resolving the matter, after allowing the company adequate time to comply, as outlined in the Ombudsman rules, 2017.

The maximum compensation that an insurance ombudsman office can award is Rs 30 lakh (including costs incurred by complainant), up from Rs 20 lakh prior to revision of rules. The offices are required to finalise the findings and pass an award within three months of receiving documents and other requirements from the policyholder. Next, a copy of the verdict is sent to both the complainant and the insurance company, which has to comply with the order within 30 days and inform the ombudsman.

"The complainant shall be entitled to such interest at a rate per annum from the date the claim ought to have been settled under the regulations, till the date of payment of the amount awarded by the Ombudsman," the rules stipulate. In case of delay, ensure that the insurer makes the compensation payout along with this interest. As per Protection of Policyholders Regulations, 2017, the interest rate will be two percentage points over the prevailing bank rate, which is currently 6.5%.

The grievance redressal mechanism

1. The first point is your insurer's grievance redressal officer; the contact details can be found on the company's website
2. If there is no response or you are not satisfied, escalate the complaint through Irdai's integrated grievance management system (igms.irda.gov.in)
3. You can directly approach the insurance ombudsman office under whose jurisdiction your case falls
4. If you are not satisfied with the ombudsman's verdict, you can approach the consumer courts

The final resort

"Logically, an insurer should not dilly-dally about complying with the ombudsman verdict. Policyholders can approach the Irdai or the ombudsman again in such cases. However, in my opinion, knocking on the consumer court's door is a far more effective option," says consumer activist Jehangir Gai. Remember, insurers cannot exercise this option in case they are dissatisfied with the ombudsman's decision.

However, you, as a policyholder, reserve the right to take this route if you are not happy with the ombudsman's decision as also any delayed or inefficient implementation of an award passed.

Ombudsman awards are binding on insurers

Life Insurer	Number of complaints*	Number of complaints disposed of**	Total Outstanding
LIC	3217	2445	772
HDFC Life	2081	1312	769
Reliance Nippon Life	1357	756	601
Bharti-AXA	1105	599	506
Exide Life	1022	549	473
Total complaints across companies	14795	9475	5320

Consumer courts can help policyholders

General Insurer	Number of complaints*	Number of complaints disposed of**	Total outstanding
United India	2205	1250	955
New India Assurance	1785	1023	762
Oriental Insurance	1755	963	792
National Insurance	1637	961	676
Star Health & Allied Insurance	1452	888	564
Total complaints across companies	13013	7750	5263

For the financial year 2017-18.
**Outstanding as on 1 April 2017, plus complaints received during the year.*
*** By the ombudsman offices by way of recommendations, awards, settlements, withdrawals and non-acceptance.*
Source: Annual report of the Executive Council of Insurers 2017-18

(The writer is Preeti Kulkarni)

Source

TOP

Rs 210 crore of Army insurance funds sunk in IL&FS bonds –The Economic Times – 15th March 2019

One of the key prongs for the welfare of ex-servicemen -- the Army Group Insurance Fund (AGIF) -- has exposure to toxic IL&FS bonds amounting close to Rs 210 crore. This means that crores worth of insurance premiums, covering all ranks from generals to JCOs and jawans, are at risk of being lost.

Recently, officials of the Indian Army met the new board of the IL&FS seeking a solution of this issue. There are no direct answers on who will pick up the liability. IANS sent a questionnaire to IL&FS, asking whether the AGIF had any exposure to its bonds and what was the quantum involved.

Chief Communications Officer, IL&FS group, said, "Thanks for reaching out to us. We would like to decline comments on the same." Similarly, a questionnaire was sent to the Army PRO Lt Col Mohit Vaishnava and he was also spoken to by IANS as well, but he failed to respond to both.

Here is a primer on the AGIF, from the Army's own literature on the subject and a construct of how it is funded. Under the banner of Soldiers2ndLife, the AGIF explainer is succinct.

Maturity Benefits:
The benefit, which is the accumulation of the saving element of the amount contributed by members along with interest and bonus, is paid on discharge/release of a serviceman. The maturity amount is also paid along with death benefits to the next of kin in case of death of any member. A member can withdraw 50 per cent from the maturity benefit after 15 years of service for the purpose of education/marriage of wards. In addition, a member can withdraw up to 90 per cent of the maturity amount for repair/renovation of house or for the purpose of conveyance during the last two years of service before superannuation.

Insurance:
An insurance benefit to the families of those Army personnel who may die while in service is Rs 50 lakh for officers and Rs 25 lakh for JCOs/OR. The monthly subscription is Rs 5,000 and Rs 2,500 respectively.

Extended Insurance (EI):
The Army Group Insurance Fund Extended Insurance (EI) Scheme provides insurance cover to servicemen after leaving service. It provides Rs 6 lakh for officers and Rs 3 lakh for personnel below officer rank (PBOR) for a period of 26 years after retirement or 75 years of age, whichever is earlier. The amount is received by the family of the ex-serviceman in case of his death. The amount has been recently revised and is now Rs 10 lakh for officers and Rs 5 lakh for PBOR for all those who joined the scheme after January 1, 2014. For those who joined earlier, the amount will remain at the earlier rate of Rs 6 lakh and Rs 3 lakh for officers and PBOR respectively.

Disability Cover:
This concerns an individual who becomes disabled out of service prematurely due to injury or disease. The officers and JCOs/OR with 100 per cent disability will get an amount of Rs 25 lakh and Rs 12.5 lakh respectively. This amount gets proportionately reduced for lower element of disability upto 20 per cent. An ex gratia disability allowance is also granted by AGIF in case a member with 100% disability has been recommended a constant attendant.

AGIF Scholarship Scheme:
AGIF Scholarship Schemes for the sum of Rs 40,000 per annum are provided for wards of officers, JCOs and OR in 12 Army Welfare Educational Institutions (AWES) institutions.

While the Army chose to deny the earlier IANS story on how Army welfare funds may have been deployed in IL&FS bonds, saying, "It is informed that welfare funds of the Indian Army are invested only in nationalised; scheduled banks; PSUs as per existing policy. There is no investment from Army Battle Casualties Welfare Fund and Army Central Welfare Fund in IL&FS bonds as reported. This news article is rebutted for being false, infructuous and mala fide." IANS has chosen to stick to its report. Here's how Army Group Insurance Fund (AGIF) is infected with this virus.

In its earlier story, now validated, IANS wrote: IANS learns that a few sections of the armed forces, primarily the army, have invested their corpus of funds in the once AAA-rated IL&FS bonds to secure their future. The Indian Army has three specific funds in which fellow countrymen can contribute - Army Welfare Fund Battle Casualties (set up in 2016 after the Siachen avalanche disaster and the Pathankot/Uri incidents), Army Central Welfare Fund and the Paraplegic Rehabilitation Centre Pune - towards the members/families of the armed forces that have made the supreme sacrifice for the nation. It is still not known whether these funds have invested in the virus-laden bonds.

The government does not fund the Army Group Insurance Fund scheme at all. A comparison of insurance cover and duration of cover provided to the generals and the jawans by the AGIF is as follows:

* Number of Generals: 350 (approximately)
* Monthly premium: Rs 5,000
* Annual premium: Rs 60,000
* Lt.-Generals insurance cover up to 60 years
* COAS insurance cover up to 62 years
* Annual contribution Rs 60,000
* Total annual contribution by the Generals is: Rs 60,000 multiplied by 350, which amounts to Rs 2 crore and 10 lakh.

Number of Jawans: 13, 00,000 (approximately)
Annual contribution: Rs 30,000

Total annual contribution by jawans is: Rs 30,000 multiplied by 13, 00,000, which amounts to Rs 3,900 crore. These figures apply to just one year. The big question is: Who is tracking these funds? There are no answers to that will bear the liability if the huge amounts parked in toxic IL&FS bonds turn to junk. The first step will be taken if the army authorities begin by acknowledging there is a problem at hand.

TOP

Source

INSURANCE REGULATION

Withdraw automatic extension of policies: IRDAI to general insurers - The Hindu Business Line – 19th March 2019

The Insurance Regulatory and Development Authority of India (IRDAI) has asked all general insurers, other than standalone health insurers and specialised insurers, to withdraw the automatic extension option.

In a circular issued on Tuesday, the regulator said some insurers have been offering automatic extension of period clause. This provides the policyholder an option to extend the base policy cover by a specified period. An additional pro-rata premium is being charged for this period.

"It is observed that some insurers are offering automatic extension of period clause as an add-on to annual polices such as standard fire special perils, industrial risks, office package, home package, shop package."

Contradicts norms

However, the automatic extension of period is contrary to existing norms. "Hence, all insurers are advised to withdraw add-ons offering coverage similar to automatic extension of period clause with immediate effect and the same shall be informed to the authority," said Yagnapriya Bharath, General Manager, IRDAI.

The existing policy issued with the above clause will be allowed to remain in force till their respective expiry dates.

TOP

Source

LIFE INSURANCE

Premium of private insurers grew by 7.6% in April-Feb period – Financial Express – 20th March 2019

First-year premium of top 10 insurers (Apr-Feb 2019)

(₹ crore)	Feb 28, 2018	Feb 28, 2019	Growth (%)
LIC of India	1,15,803.52	117,414.81	1.39
HDFC Life	9,305.89	12,419.89	33.46
SBI Life	9,203.34	11,869.29	28.97
ICICI Prudential Life	8,065.99	8,800.22	9.10
Max Life	3,420.83	4,090.89	19.59
Bajaj Allianz Life	3,485.35	3,740.78	7.33
Aditya Birla Sun Life	2,024.95	3,191.57	57.61
Kotak Mahindra Life	2,676.64	3,078.15	15.00
Tata AIA Life	1,136.40	1,879.46	65.39
India First Life	1,087.78	1,641.38	50.89
Total of the industry	**1,64,694.92**	**1,77,213.57**	**7.60**

Source: Irdai

First-year premium of life insurance companies grew by 7.6% for the period between April and February. Life insurers received premiums of Rs 1.77 lakh against Rs 1.64 lakh crore in a year ago. Market participants say that the single-digit growth in first-year premiums is likely due to the negative growth in the segments such as individual single premiums and group non-single premiums.

Private players continue to grow faster at 22.31% compared to state-run Life Insurance Corporation of India (LIC), which grew by 1.39% in April to February, showed the data from Insurance Regulatory and Development Authority of India (Irdai). LIC saw first-year premiums at `1.17 lakh crore in the said period against `1.15 lakh crore in the last fiscal. Private players saw first-year premiums at `59,798.76 crore compared to `48,891.40 a year ago.

Data from Irdai showed that premiums for individual single segments stood at `26,900.87 crore in April-February compared to `28,122.27 crore in the previous fiscal — a fall of 4.34%. Even premiums for group non-single category saw a fall of 43.23% in the April-February period.

The life insurance industry posted a 9% growth in its annualised premium equivalent (APE) at `66,389 crore in April-February compared to the same period a year ago. APE is the sum of annualised first-year premiums on regular premium policies, and 10% of single premiums, written by insurance companies during any period from both retail and group policyholders. However, for February, life insurers saw first-year premiums at `18,209.50 crore compared to `13,724.96 crore in February last year — a growth of 32.67%.

"Private players reported a 16% y-o-y growth in individual APE in February 2019, higher than the past few months. Growth rate had moderated in April-July 2018 but picked up in later months prior to recording some sluggishness in November 2018 and inching up again. On a YTD basis, the individual APE was up 11% y-o-y," says the Kotak Institutional Equities report.

TOP

Source

Should you buy a critical illness or a disease-specific plan? – Mint – 18th March 2019

Insurance policies that cover a single disease like cancer or heart ailment are becoming popular, given the high incidence rates of these ailments and the ensuing expensive treatment. These are seen to be replacing critical illness policies which were, typically, used to enhance the cover of a person who already had a standard health insurance policy. A critical illness policy pays a fixed sum if the policyholder suffers from one of the 20-30 specified diseases, including cancer and kidney failure. Neil Borate asks experts how to choose between a critical illness plan and a disease-specific insurance policy

Critical illness plans safeguard future loss of income
Tarun Chugh, MD and CEO, Bajaj Allianz Life Insurance Company Ltd.
A single-disease plan, as the name suggests, provides benefit against specific or standalone diseases related to heart, cancer etc. Critical illness plans on the other hand cover an array of critical illnesses, giving customers more value for their investment. These are fixed benefit covers, which means a lump sum amount is paid to the customer on diagnosis of the illness covered under the plan. This enables customers to take care of expenses arising due to the illness, which can be related to renting a room near the hospital or taking a second opinion or just travelling. These expenses are not covered under mediclaim plans. The idea behind critical illness plans is to compensate the life assured for future loss of income that may arise due to the critical illness. The payout can enable them meet expenses related to the critical illness, without having to dip into the savings or other investments of the individual or family member. Hence, buying a comprehensive critical illness plan will be an ideal choice after understanding the life goals of the family.

Focus on getting a health plan that covers all serious illnesses
Mahavir Chopra, Director, life insurance and strategic initiatives, Coverfox
Riders as well as specialized disease plans are cheap, easy to buy, and do not require much thinking. However, they are lazy solutions for people who do not want to research and buy a complete solution in the form of a comprehensive critical illness plan. The good news is that given the advancement of medical science, we are likely to live longer. But, the bad news is that given our sedentary lifestyles, we are highly likely to be living with a serious illness. Such an illness can result in significant financial burden on you and your immediate family members.

You cannot foretell which disease you may suffer; hence, the ideal solution by far would be to mitigate this financial risk by buying a comprehensive critical illness plan.

It is important, however, to not get carried away by the number of illnesses, and ensure that you focus more on getting a plan that covers you till the age of 70-75 years and covers all the serious illnesses for the moderate stage as well as major stage and does not cease after one disease is diagnosed and claimed for.

Disease-specific plans offer affordable premium
Yashish Dahiya, Founder and CEO, Policybazaar.com Group of Companies
One cannot predict the illnesses that one may contract during the course of life. A critical illness plan that covers 13-30 critical illnesses provides better protection. Wide coverage, however, also impacts the premium and can be unattractive to subscribe. A disease-specific plan bridges this gap by offering an affordable premium and by keeping the focus on 1-2 deadly illnesses—cancer and heart ailments. These disease-specific plans offer to pay a part of the lump sum in the early stages of specified illness, compared to critical illness (CI) plans. They have hence also become popular for those whose genetic background indicates a high risk of either cancer or heart issues. While these plans are a great way to start, one must expand this coverage to all critical illnesses to be well protected. One can consider a new class of

indemnity-based CI and disease specific (DS) plans that offer (i) cover from stage zero (ii) life-long renewability even after claim and (iii) sum insured year-on-year. These plans don't offer lump sum but pay for hospitalisation.

Look at disease specific plans for higher sum insured

Sanjay Datta, Chief–underwriting, claims, reinsurance and actuarial, ICICI Lombard General Insurance

Critical illness is a health insurance plan that pays a lump sum equal to the sum insured on diagnosis of a defined critical illness. Typically, the policy offers equal sum insured for all the illnesses covered under the policy and terminates after a lump sum payout is made. While it makes sense to buy a traditional plan that covers multiple illnesses, there is a pressing need to look at some disease specific plans.

A stand-alone cancer plan is one such example. Advanced cancer treatments usually involve higher costs. In addition, early diagnosis and better treatment options have increased the survival rates and this also can mean much higher costs. By opting for this plan, a customer can have a higher sum insured to take care of such expenses at a premium which is much lower compared to the multiple coverage plans. This is also true for other incidents like a heart attack or undergoing a bypass surgery. Thus, while it is always advisable to buy a traditional CI plan with multiple coverage, one should also look at disease specific plans.

TOP

Source

Discontinuing your insurance policy? Here are some tips – Financial Express – 18th March 2019

Insurance protection is crucial for a family to overcome the financial losses caused by the death of its breadwinner. For life insurance, the thumb rule is to take insurance coverage amounting to 10 times the current annual income. That said, one may feel the need to discontinue an existing endowment plan owing to some issue. If that's the case, what are the things that you need to keep in mind?

The process is comparatively straightforward in the case of a term insurance plan. You simply stop paying your premiums and let your policy lapse.

However, endowment plans combine insurance and savings benefits. If the insured dies before the maturity of the policy, the nominees get the sum assured. If the insured survives the policy tenure, he gets maturity benefits. If you exit an endowment policy before its maturity, the saved corpus is impacted.

Discontinuing endowment policy

You can abandon your insurance in two ways. Either convert your policy into a paid-up policy by not paying the premium after the mandatory period; or, surrender the policy and get the surrender value from the insurer. In both cases, you must pay the premium until the end of the mandatory period. It can be two to three years depending on the policy's terms and conditions. If you close the plan before the mandatory period, you will lose all value.

Converting to paid-up policy

If you choose to stop paying the premium after the mandatory period and convert your regular policy into a paid-up one, your insurance won't expire. You will remain insured but with a lower sum assured. If you survive the policy tenure, you will get the maturity proceeds. If you die during the tenure, your nominee will receive the adjusted sum assured which will be in proportion to the premiums paid. For example, if you take a policy with a sum assured of `10 lakh with a premium of `50,000 for 20 years and

discontinue it after paying for five years, the sum assured will reduce to `2.5 lakh as the policy converts to a paid-up policy.

Option to surrender the policy

Surrendering the policy is another option. You can ask the insurer to close the policy and pay you the surrender value. The insurer charges a penalty for surrendering of the policy before maturity. This penalty could be harsh. Usually, if you surrender the policy in its third year, you will get around 30% of the entire premium paid. If you surrender between the fourth and seventh years, the surrender value will be about 50% of the premium paid.

As you surrender the policy closer to the maturity period, the surrender value will be higher in percentage terms. After the seventh year, insurers have the discretion on how much amount they will pay back during a policy surrender. Policies will vary from one insurer to another. It is good to know the surrender value before you take an endowment plan. Suppose you pay a premium of `50,000 per year, and if you surrender the policy in the third year, you will get only `45,000 since you have paid a total of `1.5 lakh. If you surrender in the sixth year, you will get `1.5 lakh (50% of total premium paid) since you paid a total premium of `3 lakh.

It is better to convert a policy to paid-up as surrendering your policy exerts a huge cost on your finances. Consider these factors before deciding on discontinuing your endowment policy.

(The writer is CEO, BankBazaar.com)

TOP

Source

Have financial dependents? Here is why you cannot afford not to have a term insurance – Financial Express – 15th March 2019

In the past few years, several numbers of people might have heard about a life instance product called 'term insurance' from their friends, family members of media. But how many of them would have given a thought of buying that product. Even after advertisements by insurance companies and financial planners explaining of having a term plan in financial portfolio, less than a percent of people have term plan insurance.

Term plan is one of the most important and first life insurance policy to be bought by people irrespective of their profession. Not buying term plans can put family members of the deceased in financial stress that will not have regular incomes to support the family. Many people are unaware that premiums of term plans is less, compared to other life insurance products and it offers flexibility, is simple to understand and there are multiple riders on the base term plans.

There are hundreds of investors who think that, at the end of policy term they will not receive anything as that is one of the reasons why they stay away from buying term insurance. But one should understand that, term plans are the basic insurance cover which will protect them till their retirement or even till 99 years of age. It is a time when one should have clear bifurcation of having an investments plan and protection plan. There is no other better and cheap product than term plan for protecting the lives with higher sum insured.

The concept of term plan is very simple, the risk is covered if the person is covered under the policy and if the policyholder whose life is insured dies, the sum assured is paid to their family members of nominee. However on maturity if policyholder is alive than no benefits are given. But for people who are not buying term plans for that one reason, then they can invest in term plan which offers returns of premiums. But premiums in term plan return premiums plans are higher than term plans.

Typically, people tell that, term plan should be 10 times of their annual income. But I would suggest that term plan should be based on their age factor also. For example, if 25-year-old is earnings Rs 10 lakh per annum, in basic term he should have term plan of Rs 1 crore (10 times of annual income). But it is advisable that, they should have term plan Rs 3.5 crore as they still have to work for another 35 years. So, it's better to have term plan based on his age rather than going just by having term plan of 10 times of their annual income.

Again, buying plan term plans will have little benefits. In order to get most out of buying term plans policyholders should also buy additional riders with the policy. These riders will allow policyholder to have a peace of mind. One should buy riders of critical illness, accidental death or permanent disability as they can give policyholders money when they need the most during the time of crisis.

Not only the benefits discussed above, but premiums paid for term plan can be also eligible for tax exemptions under Section 80C of Income Tax Act. For working couple, there are options of buying joint life term insurance plans also for flexibility. Joint Life Term Plan covers couples for the similar sum assured. One of the most important advantages of buying this policy is that, ease of managing the policy. By holding a single policy, it is easy for a couple to manage their life insurance needs and joint term insurance covers both spouses on the same terms and conditions and it's easier to keep track with one plan. The premiums and benefits received from these policies are eligible for tax benefits under Section 80C and 10(10D).

Finally, before buying the policy, one should always do their own research, look out for best features and should also decide whether family members will need lump-sum, or staggered pay-outs planned systematically. It is very important to have a term plan and mot having one can pose serious challenge to their financial stability and long-term investments.

(By Rakesh Goyal, Director, Probus Insurance)

TOP

Source

Tax Saving: How investing in ULIPs can help you save taxes – Financial Express – 15th March 2019

Amongst different investment and life insurance products available in the market today, Unit Linked Insurance Plan (ULIP) can arguably be considered a way more reliable wealth creation solution for the investors over the long term. ULIP is a perfect combination of best returns, guaranteed protection, and maximum tax savings. Amongst a plethora of investor-friendly features offered by ULIP, one of its unique attributes is that it gives the investors the prerogative of investing the premium in a mix of debt and equity funds. The money can be invested in varying proportions further giving the investors the right of inter-fund transfers through switches.

The new-age online ULIPs, with reduced charges, better transparency and tax benefits have made them a must in any investment portfolio. ULIPs allow the investor to choose equity funds, debt funds or both. Being a long-term investment product, a ULIP also gives the investor the flexibility to switch between funds in sync with his financial goals. Further, investing in ULIPs can help you save taxes under sections 80C and 10(10D) of the Income Tax Act, 1961.

Apart from saving money, sensible tax planning is also an integral part of smart financial planning. When comparing different tax saving instruments, it is always best to choose an option like ULIP that offers the combined benefits of strategic flexibility, value appreciation, wealth protection, and tax savings. In the

current market scenario, ULIPs have emerged as an unmatched financial tool best for bridging the gap between the various investment products along with the added advantage of substantial tax savings.

Section 80C of the Income Tax Act, 1961
Section 80C has a long list of provisions for tax deductions on a number of payments. Of these, payments made towards a life insurance policy premium for self, spouse or children up to Rs 1.5 lakh per year can be deducted from the taxable income of the taxpayer. This is available for resident individuals and Hindu Undivided Families (HUFs). ULIP is allowed as a life insurance plan under this section. The premium amount should not exceed 10% of the sum assured. Also, if the policyholder surrenders the policy before 5 years (for ULIPs), the tax deduction is reversed too.

Section 10(10D) of the Income Tax Act, 1961
According to Section 10(10D), 'Any sum received under a life insurance policy including the sum allocated by way of bonus on such policy is exempt from tax. However, no exemption, if premium payable for any of the years during the term of the policy exceeds 10% of Actual capital sum assured.' Therefore, on maturity, the proceeds are not taxed.

At the same time, ULIPs offer amazing tax savings on withdrawals that the mutual fund investors are often deprived of. The withdrawals may occur in the different scenarios including the death of the policyholder, maturity of the policy and partial withdrawal at the discretion of the policyholder. As per the policy wording, the death benefit paid under the ULIP remains completely tax-free. This is another aspect under which a ULIP resembles a traditional life insurance plan offering assured financial protection to the dependents.

Capital Gains
Additionally, in the Union Budget 2018, the long-term capital gains (LTCG) tax was reintroduced for gains made from investments in balanced and equity funds. Currently, long-term capital gains of more than one lakh rupees are being taxed at 10% without indexation. Also, short-term capital gains (STCG) and LTCG from debt funds are taxed too. However, in ULIPs, all these gains are exempt from tax – both long-term and short-term.

When you invest in ULIPs, all these tax benefits along with a lock-in period of 5 years ensure that your money works as hard as you do for generating returns and utilizing the power of compounding optimally. Apart from the tax benefits, the fourth generation, new-age online ULIPs like Bajaj Allianz Goal Assure with zero premium allocation charges, no policy administration charges, and overall lower charges along with the ROMC (return of mortality charges) features make them a great investment product for any type of investor.

(By Santosh Agarwal, Associate Director-Life Insurance, Policybazaar.com)

TOP

Source

GENERAL INSURANCE

General insurers' premium rises 23% to Rs 12,959 crore in February: Irdai - Business Standard – 18th March 2019

General insurers registered 23 per cent growth in their premium at Rs 12,959.44 crore in February, data from Irdai showed Monday. The gross premium collected by all the 34 insurers in the general sector stood at Rs 10,573.70 crore during the same month a year ago.

In a break-up of premium collected by these firms, the Insurance Regulatory and Development Authority of India (Irdai) showed that 25

of these firms garnered Rs 10,916.33 crore premium during February 2018-19, a 18.1 per cent rise over the same period last fiscal.

Among others, seven standalone private sector health insurers registered a rise of 38 per cent in their premium at Rs 1,123.08 crore. The two specialised PSU insurers -- Agricultural Insurance Company of India Limited and ECGC Limited -- had a collective premium of Rs 920.03 crore during the month, registering a growth of nearly 80 per cent.

The cumulative premium during April-February 2018-19 of the 34 insurers rose by 13.43 per cent to Rs 1,52,097.04 crore as against Rs 1,34,084.94 crore, showed the Irdai data.

TOP

Source

HEALTH INSURANCE

Good claims experience is the road to building a reputation in insurance – Mint – 19th March 2019

I recently moderated a panel on health insurance. The audience consisted of many from the hospitals, the government, and armed forces. Our focus was on the deep reach of insurance—over 400 million lives covered, not factoring in Ayushman Bharat, and how premiums were set. Yet, the most intense discussion took place on two specific cases. A serving officer was irritated that standard insurance excluded incidents related to war and another retired person was anguished that his NGO was unable to get any kind of insurance for cancer patients. This made me think that no matter how deep insurance's penetration is, it will always be the uncovered risks and persons that will stand out. The number of such uncovered risks has reduced but there remain many areas that are difficult to insure.

The most obvious are in health insurance. It is hard to buy insurance if you suffer from a critical illness, are a senior with chronic ailments or are mentally challenged. It is understandable that diseases once diagnosed cannot be insured but in all the cases I have described, insurance is difficult to get even for ailments unrelated to pre-existing conditions. Medical costs outside of inpatient hospitalization are largely uncovered. Several treatments today require neither inpatient nor day care, and so are not paid for. Diovan, a drug that prevents relapse of heart conditions is uninsured because it is preventive in nature. An organ transplant requires medication for extended periods but these costs are excluded after the customary 60 days of post-hospitalisation care. Similarly, dental treatment and cosmetic surgery are generally not insured.

The examples from health insurance are the ones we are most familiar with but there are areas in other insurances that often get left out, particularly for individuals. In home insurances, loss of cash; in personal accident, adventure sports; in travel insurance, pre-existing conditions. Defective land titles and cybercrime are largely uninsured for individuals. War and war-like situations are a common exclusion across insurances.

Coverage is improving as insurers understand risks better and are armed with more data. Today, there are a few products for people suffering from cancer, cardiac issues or diabetes. At least three insurers will cover accidents during adventure sports, some will allow emergency treatment pertaining to pre-existing health conditions during overseas travel, and terrorist and war-related risks can be covered at a cost. Expanding coverage builds goodwill for the industry.

There are other ways to build reputation. Typically this has been driven by claim settlement rates, which is the proportion of claims that get paid. But there is another statistic that is a good pointer to long-term viability and market presence. This is the incurred claims ratio (ICR), which provides valuable insights into an insurer's business. The ICR was published last month by the IRDAI in the Handbook of Insurance Statistics. It is the total value of claims paid over the total premium collected. The advantage of this over traditional claims ratio is that it captures premium rates and gives a better insight into an insurer's economics. The ICR ratio is the main driver of underwriting profit. Devotees of Warren Buffet would have seen the concept described each year in the Berkshire Annual Letters.

A low incurred claim ratio means that claims are not being paid or the prices are too high. In domestic and international travel insurance, the ICR is 8% and 35% respectively, which is extremely low. Since absolute premiums are already small in these segments, insurers could consider improving the coverages and paying more claims in these categories. A high ratio suggests that the business is not viable. Government health insurance schemes have claim ratios of 107%, which means that the business is entirely loss making. In terms of performance, there are marked differences between the public and private sector insurers. For example, in health insurance, the government insurers had a loss ratio of 108% whereas the stand-alone private health insurers had 62%.

Insurers have to find the right balance of having an ICR that is neither too high nor low. This is also important from a buyer's perspective because it ensures that claims are paid and the insurer remains viable.

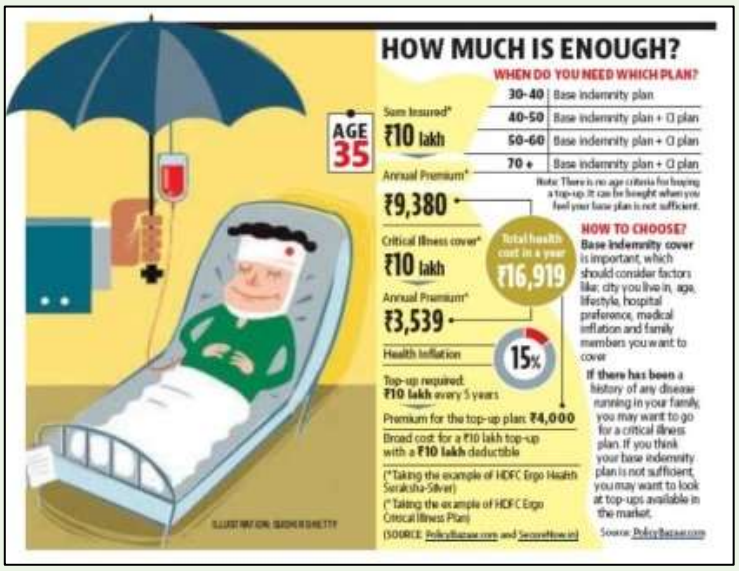
(Kapil Mehta is co-founder, www.securenow.in)

TOP

Source

Cheat sheet for med cover – Mint – 16th March 2019

Have you ventured into the market to buy a health insurance plan for yourself? According to Securenow.com, there are about 80 mediclaim policies, 15 critical illness policies, 15 top-ups and about 12 special disease insurance plans. How do you decide whether you need a top-up or if just a mediclaim policy will work? And how much is too much? Firstly, the health profile of each of you is different, so it is important to find which one fits your requirement. Here is how:



Health cover at work

If you are a salaried individual, most likely your company will be providing you a health cover. "An employer-based health insurance plan is a group plan offered to all the eligible employees of an organisation. This policy comes in effect in case of a hospitalisation occurring due to any incident mentioned in the policy document," said Vaidyanathan Ramani, head, product and innovation, Policybazaar.com.

However, in situations where you quit the job, the healthcare cover provided by your employer will seize to exist. Also, it may or may not cover your immediate family and the coverage may also not be enough to cover all your hospitalisation expenses.

Base health plan

Even if you have a cover from your employer, it is important to have a basic health cover. "Cancer costs are to the tune of Rs. 15-20 lakh and our employee provided health cover may barely have a cover of Rs. 5

lakh and may not be able to cover for cancer treatments in its entirety. Hence, you should always have your own cover apart from the one provided by your employer," said Kapil Mehta, founder of Securenow.in, an insurance web aggregator. A basic indemnity plan can cover your family as well. “Your base indemnity plan is a plan which can be renewed on yearly basis by paying the premium regularly so that you are covered. Your health insurance must be able to adequately cover you and your family," said Ramani. The premium for a Rs. 10 lakh cover of Royal Sundaram General Insurance Lifeline Supreme is Rs. 7,936 annually. It has a waiting period of three years for pre-existing conditions. Some examples for exclusions are maternity, eye and dental covers.

Top-up plan

Healthcare cost has the highest inflation. A top-up plan can be used to stretch your sum insured levels to counter the inflation rates. “Though the sum insured remains the same. Rather than increasing the existing cover you can buy a top-up policy that acts as an add-on cover," said Ramani. So in case you are hospitalised, first your initial sum insured will be used and your top-up plan will be used only if the sum insured gets exhausted.

For example, the premium for New India Assurance top-up mediclaim with a maximum coverage limit of Rs10 lakh and a deductible of Rs5 lakh will cost Rs2,123 annually. In this product pre-existing conditions are covered after four years and health check-ups are not covered. “Your top-up policy can be from your existing insurance or a different company. Know that it is important to pay attention to the deductible at the time of buying a top-up policy," said Ramani.

Critical illness plan

As the name suggests, these plans cover critical illness such as organ transplants, cancer, heart attack and severe burns.

“Under a critical illness plan, the insurer will pay you a lump sum amount (the total sum insured) in case of any of the critical illnesses mentioned in the policy wordings. You then have the choice of using the amount for the treatment cost, recuperation expenses or pay off any debt taken during the treatment but most of critical illness-based plans are fixed benefit plans which get exhausted after onetime payment," said Ramani. “In order to provide more enhanced coverage, now there are indemnity-based critical illness plans in the market that can be renewed on yearly basis for continued coverage and protection." The average annual premiums of such indemnity plans are Rs. 2,353 for a cover of around Rs. 25 lakh for Religare’s Super Mediclaim-critical illness, Rs. 1,933 for Super Mediclaim-cancer and Rs. 1,700 for Apollo Munich’s policy.

Disease-specific plans

Such plans cover the entire treatment cost of a specific disease only. “The treatment can be taken at all stages starting from the diagnosis of the disease to advanced treatment stage. Unlike a critical illness plan, on diagnoses of a specific disease, the plan waives future premium of the insured under certain circumstances," said Ramani. Disease-specific plans may work for people with a family history of a particular critical disease, he added.

Which one to choose?

“The first health insurance to buy is the basic mediclaim plan. This should have a sum assured at least equal to your annual income. This should then be supplemented by a critical health insurance if you can afford it. In future years the top-up can be used to increase the sum assured and match inflation increases," said Mehta. Critical illness caused to a family’s breadwinner can cause huge financial crises but there are two ways in which you can protect yourself from it. Critical illness plans cover you for more critical illnesses than one.“If you have a family history of a particular ailment, you may buy a disease-specific plan along with a health insurance plan. Otherwise, a critical illness plan is sufficient," said Shreeraj Deshpande, principal officer and CEO (officiating), Future Generali India Insurance.

“A regular health insurance plan will offer coverage to pre-existing ailments such as diabetes or hypertension once a predefined waiting period is completed, which may vary from two to four years. In a disease-specific cover, the waiting periods are eliminated and ailments are being treated from day one

though there may be sub-limits and /or co-pay in such disease specific cover, so only based on the requirement one may opt for disease-specific cover," he added.

TOP

Source

CROP INSURANCE

India: Regulator urges insurers to record crop loss assessment requests – Asia Insurance Review

General insurers should put in place a robust system to register all requests of individual crop loss assessment, said the IRDAI.

In addition, "where a request for individual loss assessment is rejected, a written rejection letter mentioning the reason should be sent to the insured. For all other cases, a loss assessment survey should be done as per the prescribed norms", said Yegnapriya Bharath, IRDAI chief general manager (non-life), in a communication to the general insurers.

According to the Hindu Business Line, the guidelines were issued in the wake of various complaints to the regulator in respect of crop insurance claims. According to the guidelines, the companies should designate an authorised person for each farm cluster, who should be a senior officer with sufficient decision-making powers for the smooth implementation of crop insurance.

"Insurance companies must ensure proper representation in crop insurance meetings that may be called for by the relevant stakeholders," the regulator said, adding that adequate manpower for each cluster should be deployed.

Co-observing crop-cutting experiments and allied activities, and liaising with state governments, are among the other measures proposed to insurers.

TOP

Source

MOTOR INSURANCE

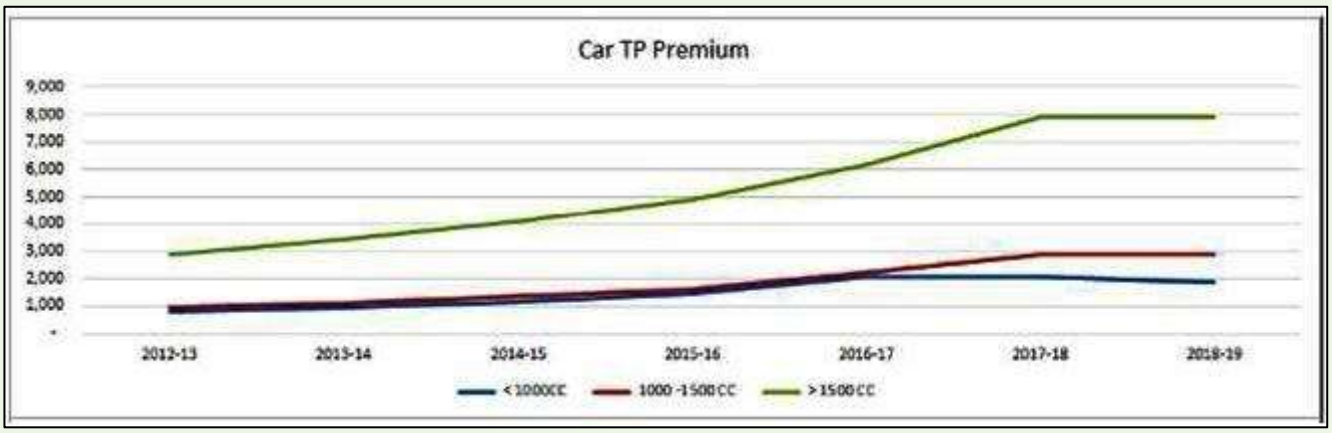
Hurry up! Renew your car insurance policy by March 31 as Third Party insurance may become costly from April – Financial Express – 19th March 2019

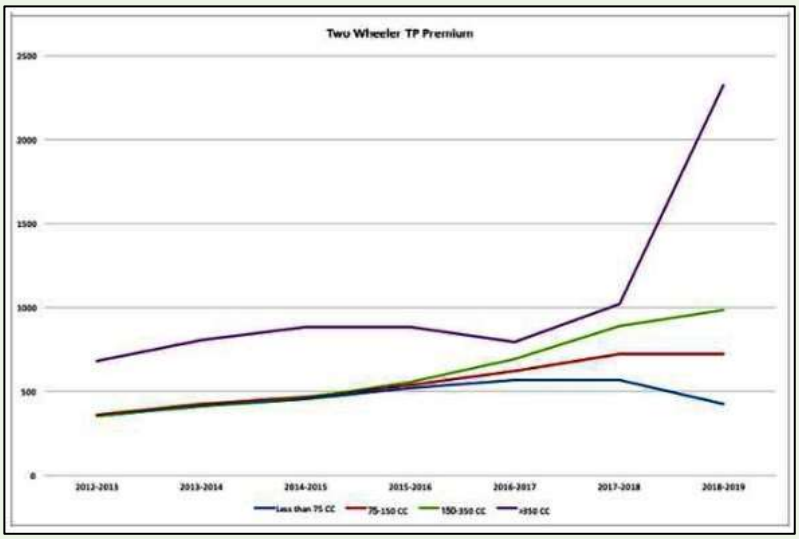
Come 1st April, there is an increase expected in the Motor Third party premiums. Just like every year, the Insurance Regulatory and Development Authority of India (IRDAI) is expected to declare premium of third-party insurance of two-wheelers and four-wheelers for the new financial year. A quick analysis of increments that happened over the last 6 years shows that Third Party premiums increased by 29% for cars and 23% for two-wheelers on an average.

Third party premium always remains the same across all the insurers and is decided by IRDAI considering the claims data of all insurance companies across various cubic/engine

capacity of the vehicle. Reviewing and updating the third party premium rates every year is a regular practice of IRDAI. Each year, IRDAI evaluates the market segment by segment and this has proven to be a very healthy process which has helped balance the loss ratios for the industry and prices for consumers.

Having increased the Third-Party (TP) motor vehicle insurance rates for 5 years continuously since 2013, in the last financial year, i.e. 2018-19, IRDAI decided to keep the TP rates for cars mostly unchanged and the rates were reduced for the lowest segment of vehicles. While some indicate it might increase by 10-15% this year, last year's moderation to keep it mostly unchanged might lead to some higher increment this year. We may see the increase to be in the range of 20-30% going by the trend.





The above charts show respectively the increase in third party premium for the last six years for private cars as well as two-wheelers. It can easily be observed that TP rates for private cars have increased substantially by 20% in initial years whereas they saw a rise by 30% and 40% in subsequent years. On an average, private car vertical has seen an average increase of 29% for the third-party insurance premium. Similarly, two-wheeler vertical has seen an average of 23% across its segments over the last six years.

Irrespective of the increase, it is always advisable to insure your vehicle on time. And especially those who might be waiting till the last day need to be more cautious so that they don't end up purchasing possibly at a higher price post policy expiry in April, while they can purchase in March itself before their policy expires.

TOP

Source

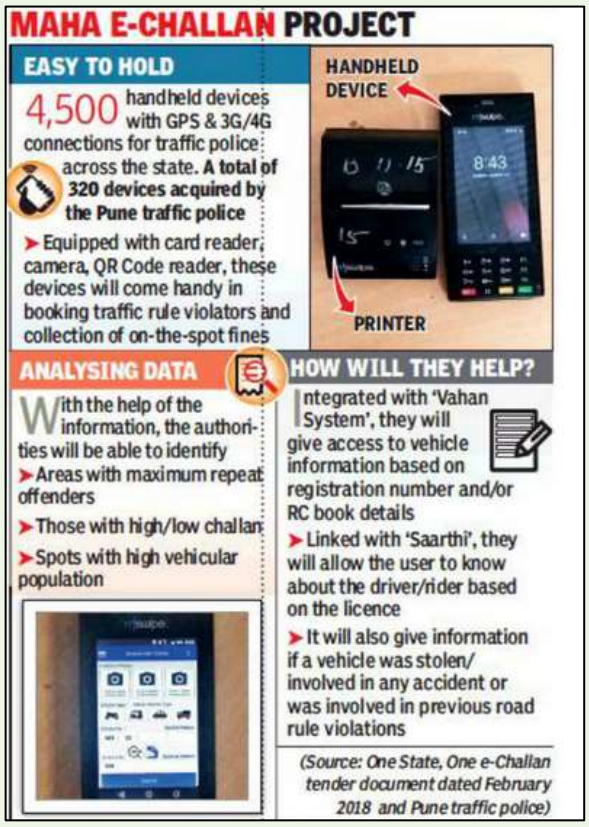
Maharashtra: Motor insurance premium to rise for repeat offences – The Times of India – 19th March 2019

Bad traffic record will pinch motorists twice from next year as repeat offenders will not just have to pay fines for rule violations but also shell out more in vehicle insurance premiums.

The highway police and the state government have rolled out the 'One State, One e-Challan' project, which includes the provision to increase insurance premiums for repeat offenders.

When contacted, deputy commissioner of police (traffic) Pankaj Deshmukh said, "Why should the vehicle premium be less for people violating the rules?"

The move was one of the solutions listed by several citizens to battle growing traffic violations.



"If you visit the e-challan website of the Pune traffic police, you are redirected to a Maharashtra e-challan page, which asks for vehicle number and the last four digits of the chassis number or the e-challan number to display details about traffic offences against a particular vehicle. The plan to increase insurance premiums for repeat offenders will certainly have a positive impact. An incentive system for rule-abiding citizens must also be considered," Baner resident Siddharth Deorukhkar said.
The One State, One e-Challan project would enable data-based analysis of violators and violations across the state and also ensure automation of traffic fine enforcement. It would equip traffic police personnel with handheld devices integrated with systems, such as Vahan, Saarthi, and Aadhaar, India Post, among others.

The project will also show rule violations against a vehicle across the state and not just the area it was registered in, DCP (traffic) Deshmukh said, adding that the Pune traffic police have shifted to a completely cashless system to improve transparency.

The project is being rolled out in phases. Under phase 1, it has already being launched in Mumbai, Navi Mumbai, Thane, Pune, Pimpri Chinchwad and Nagpur. In the second phase, it will cover the rest of the state. "The project will be rolled out across the state in the next three months," Deshmukh said.

(The author is Rujuta Parekh)

TOP

Source

Motor insurance pinch: Rates may go up by 20% in FY20 – Money control – 18th March 2019

In bad news for vehicle owners, third party motor premium is set to rise by 17-20 percent in FY20.

The premium of this component of motor insurance is fixed by Insurance Regulatory and Development Authority of India (IRDAI) and is revised annually.

Sources said that the new rates will be notified in the next few days.

This year, the premium increase will pinch policyholders harder because making long-term covers mandatory for cars and bikes from September 1 last year had led to a jump in insurance rates.

The Supreme Court in August 2018, mandated sale of only sell three-year car insurance and five-year two-wheeler insurance for the third party segment from September 1 onwards. This led to a rise in premiums by 2.86-3.08 times and 2.45-5.61 times for new cars and bikes purchased after this date, respectively.

Third party motor insurance products are mandatory for all vehicles running on Indian roads. Pricing of these products is decided by the insurance regulator IRDAI taking into account the type of vehicle, past claims data as well as engine capacity.

Third party insurance protects the vehicle owner from financial liabilities incurred due to accidents. If a pedestrian or another vehicle's passenger gets injured or dies during a mishap by vehicle X, the motor third party cover of the vehicle X owner will pay for the damages.

Since the loss ratios are in the range of 120-130 percent in the motor third party segment, there is a rise in premiums every year. Loss ratios mean that for every Rs 100 collected as premium, Rs 120-130 are paid out as claims.

Insurance industry sources said that while this may impact car/bike sales, it is necessary to sustain the business.

"Third party business is a bleeding portfolio. The only way to help build and manage the books it to gradually increase premiums on an annual basis," said the underwriting head of a private sector general insurer.

In F19 too, motor insurance premiums were hiked for a few categories. As against the industry demand of a 30 percent hike, IRDAI increased premiums by 4-16 percent across passenger and commercial vehicles.

Insurers have sought pricing to be freed in third party insurance. However, IRDAI has not yet taken a decision on this issue.

TOP

Source

Car Insurance: Know the new rules that will impact your car insurance premium in 2019 – Financial Express – 16th March 2019

Motor insurance in India in 2019 is different as there were some major changes in the industry in the calendar year 2018. The Insurance Regulatory and Development Authority of India (IRDAI) made two major announcements which have made the year very important for the growth of the insurance industry.

The IRDAI increased the Compulsory Personal Accident (CPA) Cover and also announced long term insurance cover. Let us talk about the changes and how they will impact you:

The Changes

The IRDAI announced that with effect from 1st September, 2018, all general insurance companies will offer long term motor insurance for all vehicles on the road. Apart from this, IRDAI also gave instructions to general insurance to increase the sum insured to Rs.15 lakh under compulsory accident cover.

Personal Accident Cover

The IRDAI announced that the sum insured for personal accident cover should be increased to Rs. 15 lakh. Before the announcement, the cover for CPA for two wheelers was Rs. 1 lakh and it was Rs. 2 lakh for four wheelers. The premium for the same was increased from Rs. 100 for four wheelers and Rs. 50 for two wheelers to Rs. 750 for all segments.

All general insurance companies adopted the change and this is a compulsory cover for the first year of the policy. The intention behind this change was to provide financial support and a proper cover in case of death or disablement due to an accident.

The Authority also issued directions that all the general insurance companies have to offer the policy owners all option to buy the CPA cover for one year or more. This notice received a lot of feedback as there are many insured that have a standalone personal accident cover policy from another insurance companies. Also, it was seen that there are some owner drivers who own more than one vehicle and thus the compulsory cover with each policy is not required.

Long Term Motor Insurance

The Supreme Court of India on July 6, 2018 passed an order after which the regulator issued instructions making it compulsory for new cars to have a three-year third-party insurance and five years for two wheelers. This change was done to avoid the hassle to issue the policy every year. Many people forget to renew the policy on time which results in loss of no claim bonus and also breaks the policy.

The Solution

After analyzing the problems, the IRDAI for the benefit of the customers, issued a new circular, in which with effect from 1st January, 2019, the Personal Accident component was unbundled from motor insurance policy. This implies that Motor Insurance in India in 2019 enabled the insured to buy their motor insurance policy with CPA or buy a separate policy from the insurance company. An individual should have one CPA policy which will be valid for all the vehicles. This implies that the cover has become optional for an individual when taking a motor insurance policy.

Motor Insurance in India in 2019 has seen many changes and now the IRDAI has given the permission to insurance companies to do the pricing of the products as per the individual pricing method. The regulator has also added that they have the authority to issue directions if they did not find the pricing approach being as per the principles set by them.

Now the CPA option has become optional and a stand-alone CPA is valid for one year and for all the vehicles owned by an individual. The coverage under the CPA policy with motor insurance will be only permanent disability (total and partial) and death.

On the other hand, in a regular personal accident policy there is cover against a motor accident and if an individual has this policy, the individual does not need to buy a separate CPA cover with his motor insurance. The changes in motor insurance have been made keeping in mind the benefit of the customer and hopefully they will achieve the same.

(By Balachander Sekhar, CEO, RenewBuy.com)

TOP

Source

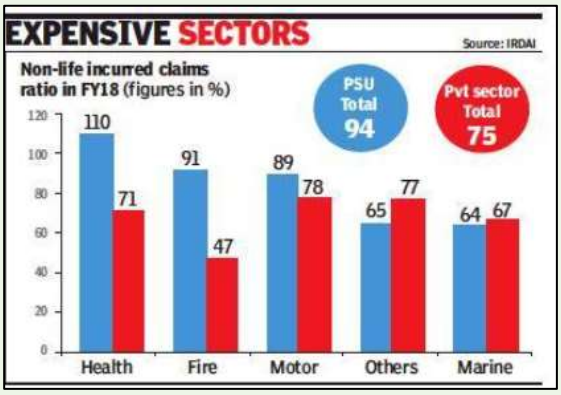
REINSURANCE

GIC's reinsurance rate hike hits companies – The Times of India – 19th March 2019

Corporates in several sectors such as pharma, textiles and steel have seen their property insurance rates soar by as much as eight times after national reinsurer GIC Re revised the rates at which it will provide reinsurance. GIC has justified the higher cost, saying that even with the revised rates the premium only matches claims in eight sectors where rates have been increased.

The revision, which came into effect from March 1, was announced only on February 21 to insurance companies. According to risk managers, since most policies are co- terminus with the financial year, there is not enough time for them to sort out their insurance purchases. "We have seen our premium gone up by six times. This is unfair as our claim ratio does not justify it. If the premium hike is aimed at correcting losses

that are happening elsewhere, why should good clients pay higher rates?" said Raymond group CFO Sanjay Bahl. He added that this was a huge headwind for the textiles sector.



Source

GIC officials said that this was an overdue correction as the portfolio is generating underwriting losses due to rates falling by as much as 99% since de-tariffing in 2007. "The domestic fire treaties for GIC Re have been running at a combined ratio of 100% consistently for the last few years. Hence, some urgent remedial measures had to be undertaken,"

Industry associations have made a representation to the regulators and companies are seeking legal opinion.

(The author is Mayur Shetty)

TOP

INSURANCE CASES

Insurance firm fined for refusing claim - The Tribune – 17th March 2019

The District Consumer Disputes Redressal Forum has directed a private insurance company to pay Rs 24,750 as cost of repair of a mobile phone handset with Rs 20,000 as compensation and Rs 7,000 as litigation expenses to a city-based resident for repudiating his mobile phone insurance claim.

Dr Raman Kumar Gupta, a resident of Model Town, had filed a complaint against The New India Assurance Company Limited, alleging that he was lured into buying a mobile phone insurance, i.e. Gizmo Secure Ultimate Plus Policy, with a promise that it covers accidental damage, including theft and burglary.

He said he paid Rs 2,499 as insurance cost on April 14, 2015, which was valid for one year.

In his complaint to the forum, the complainant said on October 10, 2015, while he was leaving for his duty to the hospital and was about to sit in his car, the handset accidentally fell down on the ground and suffered major damage to the tune of Rs 24,750.

He said since the handset was duly insured, he lodged his claim of insurance and submitted all relevant documents required for the settlement of his claim to Financial Heights (Gizmo Help Claims Division) as well to The New India Assurance Company Limited.

He said in spite of complying with all requirements and documents needed, the insurance firm illegally repudiated his claim on false and flimsy grounds of tampering, fraud and misrepresenting of facts.

Meanwhile, the opposite party, New India Assurance Company, in its reply to the forum said, the complainant in his complaint said his cell phone was damaged while he was sitting in his car while going to hospital from his house as accidentally it fell from his hand and got damaged.

However, as per details sent to the insurance company by Financial Heights (Gizmo Help Claims Division), it has been stated by the complainant that while sitting in the car his mobile phone fell down from his hand and the screen got damaged.

Thus, there is a difference in the two statements of the complainant in respect of the damage caused to his mobile phone handset. There is a misrepresentation of the facts either in the claim form or in the details sent to them by the Financial Heights.

The company further said the damage to the mobile phone handset of the complainant could not occur by falling/slipping of the handset in the car and that the complainant was not disclosing material facts, resulting into the loss to the handset.

After considering the overall factors as elaborated in the complaint as well as in the written reply of the opposite party, the forum in its judgment said the plea taken by the insurance company for repudiating the insurance claim of the complainant was totally arbitrary and against the principle of natural justice and the same was not sustainable in the eyes of law. Moreover, it has failed to provide any document, which was tempered by the complainant.

Hence, The New India Assurance Company Limited is directed to reimburse the repair cost of the mobile set, i.e. Rs 24,750 with interest at 12 per cent per annum from the date of repudiation of claim, i.e. November 21, 2015, till realisation.

(The author is Avneet Kaur)

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TOP

PENSION

Government to soon start selection process for new PFRDA chairman – The Economic Times – 17th March 2019

The government will soon start selection process for a new chairman of pension fund regulator PFRDA to succeed the present chief, Hemant G Contractor, whose term is slated to end in April. "The Finance Ministry will soon come out with an advertisement to find a successor to head the Pension Fund Regulatory and Development Authority (PFRDA)," sources told.

Contractor's term will be completed on April 30, 2019. PFRDA was re-constituted into a statutory body after notification of PFRDA Act in 2014.

Contactor is the first Chairman to head the regulatory body. He had joined PFRDA on October 7, 2014. As per the Act, the chairman will have tenure of 5 years or till age of 65 years, whichever is earlier.

Contractor was previously held the post of SBI managing director before being appointed as the PFRDA Chairman.

The pension fund regulator has reached a subscriber base of 2.65 crore in its flagship National Pension System (NPS) and Atal Pension Yojana (APY) schemes and hopes to cover nearly 2.72 crore subscribers by the end of the current financial year.

The APY, mainly targeting the unorganised sector employees, offers five slabs of pension from Rs 1,000-5,000 per month upon retirement. Employees in the age bracket of 18-40 years can sign up for an APY account.

NPS is a voluntary defined contribution retirement savings scheme for government employees as well as for those working in the organised and unorganised sectors.

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Good news! PF litigations may come down after SC ruling; here's why – Financial Express – 15th March 2019

Provident Fund deduction related litigations with the EPFO is likely to reduce after the Supreme Court ruling that special allowance paid by an employer is part of basic wages for EPF dues computation. The apex court in its judgement has ruled that special allowance is part of the basic wages for computing the employees' provident fund (EPF). The employer as well as the employee pay 12 per cent of basic wages each towards contribution for social security scheme run by the Employees' Provident Fund Organisation (EPFO). "The order just upheld the existing sections of the EPF Act.

After this ruling, it is expected that litigations related to deductions toward provident fund will be reduced," RPFC Navendu Rai said on the sidelines of a seminar organised by the ICC on the EPF Act. The apex court decision came when it was dealing with a question on whether special allowances paid by an establishment to its employees would fall within the expression "basic wages" under the provision of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 for computation of deduction towards provident fund.

Meanwhile, the Provident Fund (PF) balance transferred from one's ex-employer will become an automated process as the EPFO is doing away with the manual process in place now, Additional CPFC EPFO, S K Sangma said.

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IRDAI CIRCULAR

List of insurance web aggregators as on 28th Feb. 2019 is available on IRDAI website.

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IRDAI issued circular regarding withdrawal of add-on automatic extension of period clause to all general insurers (other than stand-alone health insurers and specialized insurers).

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Gross direct premium underwritten for and upto the month of February 2019 is available on IRDAI website.

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Updated list of non-life insurers is available on IRDAI website.

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List of corporate agents registered with the authority as on 31 Jan 2019 is available on IRDAI website.

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List of third party administrators as on 10th March 2019ia available on IRDAI website.

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GLOBAL NEWS

Australia: Mental health ranks 3rd in top 10 causes of life claims – Asia Insurance Review

The Financial Services Council (FSC) has highlighted new life insurance data on mental health as part of a four-year, industry funded data project at its annual Life Insurance Conference in Sydney yesterday.

FSC CEO Sally Loane said during her opening address at the conference, "While sometimes hard to address, it is however very important to note that mental health conditions rank third in the top 10 causes of claim across all life insurance categories."

She said, "Under life insurance disability claims, mental health accounts for 20%, which is second only to accidents. "Population studies show, 22% of all disabilities in Australians result from a mental health condition, similarly, FSC figures show 20% of all disability claims are due to a mental health condition.

"In this initial analysis, it shows overall Australian insurers are paying out mental health claims at the same rate as they are occurring in our community—in other words, they are not lagging." She also said, "Preliminary findings of the data show in 2017-18, there were more than 102,000 claims on death, trauma, total and permanent disability, income protection, consumer credit insurance, funeral and accident with 92% of those claims paid in the first instance."

Australian Prudential Regulation Authority data show that A$10bn ($7.1bn) is paid out across all categories of claims annually. MsLoane said, "Up until now, the life insurance sector has had no industry approach to the collection of aggregate industry data, which has been a major challenge and constant frustration." The study gives the life insurance industry a tool to better articulate the type and number of claims paid and enables the industry to understand patterns as they emerge, she added.

More details

In the future, the FSC hopes to be able to break information down by gender, age and geographical location. The multi-million project is being collected by KMPG on behalf of the FSC with data collected from 19 FSC life insurance members contributing, with a further three providing financial support and four members participating for the first time. Life insurance categories include death, trauma, Total & Permanent Disability or TPD, Insurance Protection or IP, CCI, funeral and accident. The FSC has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies.

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Pakistan: Govt urged to do more to develop insurance market – Asia Insurance Review

The government needs to do much more to support the industry, even if it is in terms of implementing existing laws, according to Mr. Abdul Waheed, CEO of Askari General Insurance and a chartered accountant.

In an interview with the news website Global Village Space, he said, "Currently, Pakistan has the Motor Vehicles Act, 1938, which requires drivers to take out third party liability insurance on motor vehicles...

yet this is not implemented. The government should ensure its implementation through enforcement agencies, such as the traffic police, the Excise and Taxation Department and government hospitals.

"Customers buying or registering vehicles should be required to show insurance documents."

He said, "The Insurance Association of Pakistan has been pressing the government of Pakistan for many years to at least have this law updated and implemented properly. This will not only help the insurance industry but will benefit the common man."

Mr.Waheed also said that the current schedule of compensation for death and injured third parties is very low and has not been updated over time.

He added that the government should also introduce other forms of compulsory insurance. In addition, there is no public insurance awareness campaign in Pakistan. Most people see insurance as an additional liability that they try to avoid.

He said that awareness should be introduced in fields like health insurance, crop insurance, business interruption insurance and so on. "But unfortunately, people do not understand the benefits and the government is also not fulfilling its responsibility in creating awareness around it."

Asked whether the insurance industry should itself be responsible for promoting insurance awareness, he said, "Basically, governments create an environment for any industry to flourish and my complaint about the government of Pakistan is that it's not creating such an environment. The result of this lack of interest by them affects the growth of the insurance market."

Cyber

On a brighter note, he said that the authorities are now active in the cyber arena, particularly in the wake of a cyber attack in October 2018 on the credit cards of a Pakistani bank.

"They have started sending notices and forming a regulation for all the institutions to work on cyber protection and cyber insurance as well. This could be a future market for which the industry is ready. In the short term, I think we will be able to generate a small number of policies, but in the long term, like from 2020 onwards, there will be a good amount of money – provided the regulator takes this as a serious risk and ensures that every industry exposed to this risk has the proper insurance," said Mr.Waheed.

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Source

South Korea: InsurTech development entangled in red tape – Asia Insurance Review

South Korea's financial regulations are hampering insurers' efforts to secure a next growth engine.

Foreign insurance companies have been launching various insurance products combining healthcare services in the global market. However, domestic insurers have been unable to do so due to regulations, according to a commentary in Business Korea.

The commentary said that it would be a win-win if insurance companies could reduce premiums for customers who work out hard for a healthy lifestyle. But this possibility has remained unrealised for years with local financial authorities unwilling to come forward to untangle the complicated problems among ministries and interest groups.

An official from the life insurance industry said, "Under the current circumstances, insurance companies and startups can't but shoulder legal risks in order to enter the healthcare market. They are providing just a very basic level of healthcare services."

Nevertheless, the government said it would issue a "manual on healthcare based on non-medical services" shortly and revise related guidelines in September so that insurance policyholders can be offered wearable devices.

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Australia: Regulator urges insurers to move from awareness to action on climate change – Asia Insurance Review

The Australian Prudential Regulation Authority (APRA) will increase its scrutiny of how insurers, banks and superannuation trustees are managing the financial risks of climate change to their businesses.

Releasing the results of its first climate risk survey of regulated entities yesterday, APRA called on entities to move from gaining awareness of the financial risks to taking action to mitigate against them.

APRA surveyed 38 large insurers, banks and superannuation trustees last year to assess their views and practices related to climate-related financial risks. The survey found a substantial majority of regulated entities were taking steps to increase their understanding of the threat, including all of the banks, general insurers and superannuation trustees surveyed.

Other key findings were:

- A third of respondents believed climate change was a material financial risk to their businesses now and a further half thought it would be in future;
- A majority of banks considered climate-related financial risks as part of their risk management frameworks; and
- Reputational damage, flooding, regulatory changes and cyclones were nominated as the top climate-related financial risks.

Respondents also described the strategic opportunities they had identified from the transition to a low carbon economy, including developing innovative products and services, and meeting the growing demand for green investment opportunities.

APRA executive board member Geoff Summerhayes said, "The world is rapidly transitioning to a low carbon economy, driven principally by the decisions of governments, business leaders, investors and consumers. Companies that fail to respond to these forces risk being left behind.

"Gaining an understanding of the risks is an important first step for entities, but APRA wants to see continuous improvement in how organisations disclose and manage these risks over coming years."

APRA expects climate risks to be assessed within existing prudential risk management standards, and supervisors will be factoring this into their ongoing supervisory activities, Mr.Summerhayes said.

"APRA's views on the economic risks of climate change, recently echoed by the Reserve Bank of Australia, are consistent with those of financial regulators internationally. These risks are material, foreseeable and actionable now. Uncertainty over long-term impacts or policy direction is not an excuse for doing nothing," said Mr.Summerhayes, who is also Chair of UN Environment's Sustainable Insurance Forum.

APRA is the prudential regulator of the financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, private health insurers, friendly societies, and most members of the superannuation industry.

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Japan: Life insurance body calls for disclosure of products' actual yield rates – Asia Insurance Review

The Life Insurance Association of Japan has asked each life insurance company to state actual yield rates in their advertising materials, starting in April.

First, the move will be applied to the kind of foreign currency-denominated life insurance whose premiums are to be paid in a lump sum when contracts are signed — a main item in the product lineup, reported The Yomiuri Shimbun.

Efforts should be made to accurately explain the features of each product and restore trust in such investments. There has been a sharp increase in problems involving foreign currency-denominated insurance primarily intended as savings, a financial instrument aimed at managing the premiums deposited by customers through transactions based on the US dollar or other foreign currencies.

Most complaints concern the lack of adequate explanations about the risks involved. Insurance payments to policyholders could be reduced if there is a rise in the value of the yen. There are also concerns that cancelling an insurance contract before maturity could cause a loss of principal. It seems that only high yields on such products have been emphasised to customers, with their negative aspects not sufficiently explained.

If financial institutions continue their inappropriate sale of financial products for the sake of immediate commission gains, it could hamper the trend toward a shift from savings to investments. The Financial Services Agency has started shoring up supervision over banks and life insurance companies.

TOP

Source

Asia: 5G to turbo-charge health insurance industry – Asia Insurance Review

The advancement of 5G technologies would allow insurers to process health data at an unprecedented rate and perform more dynamic underwriting based on real time information from consumers. As the industry moves into the next generation of wearables recording all forms of health data, "5G will put the insurance sector on rocket power" with it significantly increasing the speed of networks by 100 times, according to Dacadoo president and CEO Peter Ohnemus.

Referring to wearables, Mr.Ohnemus said, “We are going to sell 25bn of these devices over the next 10 years and so you can imagine what type of data you are going to get.”

The future of 5G technology was one of the major topics discussed yesterday, the opening day of the 14th Asia Conference on Healthcare and Health Insurance, at the Marina Mandarin Singapore.

"5G will change the type of data and availability of data in the future," said EY Knowledge associate director Luca Russignan who sees insurers leveraging wearables for customer engagement.

In a presentation on wearables in health insurance, Partner Re also emphasised that wearables will help insurers use its data to better forecast and monitor claims as well as attract younger and healthier demographics. This highlights the successful integration of wearables with healthcare and health insurance which allows insurers to promote healthy and smart living.

Managing healthcare pricing

In his keynote address on digital insurance and outcome-based risk modelling for chronic diseases, Mr.Ohnemus boldly pointed out that he sees cancer being solved within the next 20 to 30 years via simple quantum computing and biology merging together. However, there is a question of who is going to pay for the development as no one would want to shoulder the financial costs of healthcare.

However, Mr.Ohnemus found that Asian countries, such as India, China and Japan have very high out-of-pocket total health spending. He stated that you can't always have someone else paying for healthcare costs as Asia sees more chronic diseases, like obesity, heart failure and diabetes. He added that insulin can cost around $8000 per year and China has a 10% diabetes rate now compared to 1% 10 years ago, highlighting the magnitude of rising healthcare costs.

Mr.Ohnemus' views were echoed by panelists voicing their perspectives on healthcare financing, cost issues and quality of care. During the panel, Liberty Insurance senior vice president (A&H management) and panelist Colin Chu raised the issue of the insurance sector tackling issues related to healthcare inflation. Fellow panelist and AIA Singapore medical director Alan Ong noted that healthcare expenditure is growing year on year with society prioritising healthcare. In Singapore, he sees this translating into higher premium costs with 65% of healthcare costs flowing through insurers.

Meanwhile, Star Health and Allied Insurance COO and panelist S Prakash discussed how he is working with hospitals in India to help them grasp the basic concept of health insurance, creating a synergy between insurers and healthcare providers. Dr Prakash hopes to partner Fintech players to identify fraudulent healthcare providers through sophisticated technologies and to curb errant healthcare providers charging inflated prices.

Moving with the times through collaboration

With the advent of the digital age, Mr.Russignan urged health insurers to focus on customer needs and new health models. Moving forward, he sees health insurance business models rapidly shifting towards ecosystems comprising traditional health insurers, HealthTech and health insurance digital platforms.

He highlighted that six major trends disrupting health care and health insurance are: (1) chronic disease cost, (2) move to outcome and values, (3) mobile health technologies, (4) big data revolution, (5) customer centricity and (6) underwriting pressures. Given these trends, Mr.Russignan believes that insurers should look at developing a comprehensive customer value proposition which is social, easy to use and considers wellbeing needs. Empowered by real time data, insurers will be able to shift their engagement model by offering customers tailored and proactive protection coupled with prevention.

However, Liberty Insurance head of product development Dr Alex Gleason emphasised that insurers need to focus on the "BioPsychoSocial" (biological, psychological and social) aspects of illnesses if they want to make customers healthy. He also highlighted that insurers can make customers sick by not offering prescription coverage or making it difficult to access this coverage, for example. "Everybody needs to take responsibility for what we are about to change with the way that we live our lives, the way that we put strain on the healthcare system and the health insurance system, and the way we support the systems," said conference chairman and WellteQ CEO and co-founder Scott Montgomery.

Mr Montgomery also raised the issue of the healthcare and health insurance industry needing the strength of leadership as it is heading towards a catastrophic situation with global health and wellbeing. He encouraged delegates to lead from the front and be the change the world needs. Organised by Asia Insurance Review, the two-day conference questions whether insurers can be in the driving seat to

promote healthy living, and has for its theme, "From Healthcare to Health: Where Do Insurers Fit?'. The conference is supported by Life Insurance Association Singapore, International Insurance Society, Euro Cham and IT Service Management Forum. Around 150 delegates from 20 countries are attending the conference.

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Global: Some captive insurance domiciles are on EU's tax haven lists – Asia Insurance Review

The European Union Finance Ministers (ECOFIN) last week expanded the list of jurisdictions included on the EU's tax haven blacklist. The blacklist, which is designed to promote a responsible tax policy worldwide and to ensure that the European Union's international partners adhere to the same standards as EU member states, now also includes: the UAE, Barbados, Belize, Bermuda, Dominica, Fiji, the Marshall Islands, Oman, Vanuatu and Aruba.

This takes the total number of jurisdictions on the list to 15 at present. The five already on the list before the latest update are Samoa, Trinidad and Tobago, and three US territories of American Samoa, Guam, and the US Virgin Islands.Several of the blacklisted territories are major captive insurance domiciles such as Bermuda and Barbados. Blacklisted jurisdictions face stricter controls on their financial transactions with the EU, although no EU sanctions have yet been agreed by European states.

Bermuda

Bermuda Premier David Burt called the EU's decision to put the British overseas territory on the blacklist "a setback" but said he was confident it would soon be reversed, reported Reuters."Bermuda is compliant, and we are confident that within a matter of weeks that will be accepted by EU member states and Bermuda will be removed from this list," he added. Bermuda is also a major international reinsurance hub. The EU also has a tax haven greylist, which indicates which jurisdictions will continue to be monitored. On this list is a total of 34 countries, including nine captive domiciles: Anguilla, Bahamas, the British Virgin Islands, the Cayman Islands, the Cook Islands, Mauritius, Saint Kitts and Nevis, Saint Lucia, and Switzerland.

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