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QUOTE OF THE WEEK

"The pessimist sees difficulty in every opportunity. The optimist sees opportunity in every difficulty."

Winston Churchill

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Agent

Definition: An agent is a person who represents an insurance firm and sells insurance policies on its behalf.

Description: Generally, there are two types of such agents who reach the prospective parties that may be interested in buying insurance. These are independent agents and captive or exclusive agents.

Independent agents may represent many insurance firms and receive commission for their services accordingly. On the other hand, there are captive agents who are exclusively employed by a particular insurance firm and sell policies of the same. Their services can be rewarded in the form of salary or commission.

Source

INSURANCE INDUSTRY

Foreign investors bet big on private insurers - The Hindu Business Line – 11th September 2019

Foreign investors are steadily increasing their bet on listed private insurers. The insurance sector received a net investment of Rs. 9,222 crore between April and mid-August period. The sector is the top gainer of foreign equity inflows in the current financial year.

According to data available with depositories, foreign portfolio investors (FPIs) made a net investment of Rs. 7,761 crore in the insurance equities in the first quarter of FY20. Subsequently, they made a net investment of Rs. 979 crore in July and Rs. 482 crore till the first half of August, up to which data is available.

FPI's investment in the insurance sector in July and August, albeit lower than previous months, assumes significance considering that the foreign investors have been net sellers across all major sectors over the last two months.

Budget impact

Spooked by the 'super rich' tax surcharge announcement in the Budget and poor earnings in a tanking economy, FPIs pulled out Rs. 30,011 crore from the Indian equities in July and August. However, insurance is the only major sector to witness FPI inflow in every single month in the current calendar year. "Insurance companies have seen a lot of buying from FPIs and domestic institutions over the 4-6 quarters. Greater visibility in revenues and margins from the current low base seems to have attracted FPIs to this space," said Deepak Jasani, Head Retail Research, HDFC Securities.

The insurance sector was also among the top three gainers of FPI investment in the equity segment in the previous fiscal. In FY19, the FPIs made a net investment of Rs. 9,623 crore in the sector. Consequently, FPI shareholding in the four listed private insurance companies has increased from 3 per cent to as high as 15 per cent.

“Institutional players tend to look at insurance companies as long-term structural bets. They also look at insurance companies as stable companies in a turbulent market,” Jasani said.

Strong growth in premium collection supported by a surge in the annuity and protection business of private insurers has made their stocks attractive for investment. For instance, SBI Life Insurance and HDFC Life Insurance have registered a new premium growth of 52 per cent and 47 per cent in the first quarter of FY20.

“FPI investments, as we know, are generally meant for long-term structural change. We believe that the Indian insurance space is experiencing a structural growth story backed by financialisation of savings [insurance funds as a % of household savings are at 16-17 per cent],” Emkay Global Financial Services said.

“We expect private players to register a growth of 15-20 per cent over the next decade with protection and annuity products seeing much faster growth than the savings product portfolio, auguring well for the insurance space,” the research firm added.

TOP

Source

Role of AI in the Indian insurance industry and its potential – Outlook – 9th September 2019

Technology has led to many positive changes around us and insurance industry is not staying behind in making the most of the technology to improve their functioning and services to customers.

Traditionally, the insurance industry’s focus has been around the policy and product but there’s now a shift in the trend. The insurers are more and more leaning towards becoming a more customer-centric organisations and Artificial Intelligence (AI) has been at the forefront of this mission.

“Using AI in insurance has enhanced customer experience by understanding customer behaviour, streamlining the claim process, improving underwriting and preventing fraud. Embracing AI will help the insurance industry in effective customer engagement and in the long run a deeper penetration of the market,” said Shivakumar Shankar, India MD of LexisNexis Risk Solutions.

AI has also been playing a major role in helping the insurers tackle its two biggest challenges — penetration and simplifying the customer servicing at various touchpoints.

The insurance continuum starting with marketing to lead generation to quotes to underwriting and the various aspects of servicing a customer has many touchpoints and this where AI can simplify and address routine tasks thus taking the insurer’s reach deeper in the market. The industry is using AI to rationalize its operations and connect with the audience in an effective manner.

Yet, we must understand that these are still early days for AI in insurance industry in India. Insurers have just started experimenting. Several insurance companies are using AI/Big Data only for their marketing or sales campaign or simple claims handling tasks.

“In India, AI is yet to be explored in many aspects of insurance like customer service, pricing, risk assessment, fraud, and customer demand. To get the right insight from AI, we need a larger set of quality of data that can be used efficiently,” added Shankar.

Some of the most common usage of AI in India is usage of chat boxes that helps in faster claim processes, providing policy in formations, documentations and others.

"AI can also use ML algorithms and NLP to understand changes in customer behaviour during interactions for underwriting and claims and intelligently use appropriate questions/answers for queries helping reduction in gaps during interactions," said Shankar.

AI in India has a lot of potential. Greater adoption of AI in the sector will help streamline the customer acquisition process as well as servicing process. Insurers will be forced to redefine age old processes while customers would find things much easier - like faster underwriting or claims settlement.

The advent of technology and growing adaptation of digital usage will lead to a lot of online interactions and claims and AI seems to be the right answer for insurers to provided the best customer service.

(The writer is Nirmala Konjengbam.)

TOP

Source

Divorce insurance: Is it time for Indians to secure alimony settlements? - Moneycontrol – 7th September 2019

Ashmit Gupta, a 38-year old Kolkata businessman who has filed for a divorce, must arrange Rs 30 lakh for the alimony his ex-wife has sought. While he has investments worth Rs 10 lakh that will pay a part of that amount, he is still to arrange Rs 20 lakh within the next few months.

Countries like Egypt are now contemplating a law to make divorce insurance mandatory to ensure that men are able to pay alimony to their ex-spouses without having to face a financial burden. Considering the financial costs linked to a divorce and subsequent payments to the spouse, it could be time for Indians to seek insurance to cover divorces as well.

While India still has among the lowest divorce rates, the numbers have doubled over the last one decade. As per Census 2011, there were 1,362,316 divorces in India. While the number is low compared to other countries, it is still a significant number.

If the average alimony amount per divorce stood at Rs 15 lakh, it is a whopping Rs 2.04 lakh crore in settlements itself for the 1.36 million divorces. Over and above that are the legal expenses and child support which would run into several lakhs of rupees.

It is estimated that the alimony payment amount in India has risen by 35 percent over the last five to seven years.

Taking an insurance policy that pays for the divorce proceedings is a financially-prudent idea. Usually taken at the time of marriage, this insurance product will provide for all financial costs pertaining to a divorce.

The premium payable depends on the earning capacity of the individual and the income profile of the couple. There is usually a period of initial two to three years during which a claim is not admissible.

As a starter, policies with a standard cover of Rs 25 lakh or 30 lakh could be offered. These would be priced at less than Rs 15,000 per annum. If any individual seeks additional insurance, top-up plans could be offered.

The amount and duration for which alimony is payable depends on how long the marriage existed. Marriages that last more than 10 years are even entitled to get a lifelong alimony.

In India, there is no cap on the amount of alimony that can be sought by the wife. In case of a lump-sum settlement, the amount could go up to one-third of the husband's net-worth.

With Indian couples being far more open to the idea of a divorce than a decade ago, it is imperative that the financial costs will also be considered. Having insurance products available for this purpose could help sort out the financial matters and help the couple focus on other crucial matters including property division and child custody.

(The writer is M Saraswathy.)

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Source

INSURANCE REGULATION

Irdai asks public not to fall prey to fictitious calls offering higher policy benefits – The Times of India – 11th September 2019

Insurance sector regulator Irdai has asked general public not to fall prey to fictitious calls or fraudulent offers claiming higher policy benefits.

The Insurance Regulatory and Development Authority of India (Irdai) said that members of public have been receiving calls from unidentified individuals posing as officials of IRDAI/Integrated Grievance Management System (IGMS) making fictitious and fraudulent offers.

The callers also use names such as Insurance Transaction Department, RBI or any other name of existing government agencies or some non-existing fictitious entities, it said.

Cautioning policyholders and public in general, Irdai said that neither the regulator nor its grievance management cell involve directly or through any representative in sale of any kind of insurance or financial products nor do they invest the premium received by the insurance companies.

Any person making any kind of transaction with such individuals/agents will be doing the same at their own risk, it said.

"Irdai once again urges the public to remain alert and not to fall prey to frauds or scams perpetrated by miscreants who impersonate to be employees/officers of IRDAI, IGMS, RBI, government departments or insurance companies," the regulator said.

It also said that it is necessary to verify the identity of the caller before making a financial transaction based on telephonic conversations.

The facts can be verified at authorized offices/call centers of insurance companies. The telephone numbers of the authorised call centers can be verified in the policy documents/official websites of insurer.

"Irdai advises that if any member of the public notices such instances, he or she may lodge a police complaint giving full details, along with the details of the caller and telephone number from which the call was received, in the local police station," the regulator said.

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Source

Beware! Want to keep your money? Don't buy insurance policy from this fake IRDAI website - Zee Business – 8th September 2019

In the age of digitalization, growing dependence on the internet and convenience has led to the formation of certain fake websites to loot consumers. If you are looking to buy an insurance policy from the IRDAI website, you must know about that there is a fake version of the website that is looting people online.

The authorized website of IRDAI is www.irdaonline.org, however, the fake website - www.irdaionline.org is selling insurance to the general public while this domain is not authorized by the Authority.

Max Bupa, an insurance provider, has warned its customers by sending them SMS to stay away from these online frauds. ''Important Alert! Beware of the fraud website of the Insurance regulatory body. The authorized website of IRDAI is www.irdaonline.org. Some miscreants are misleading people to a fake website address: www.irdaionline.org. Max Bupa has no association with www.irdaionline.org, whatsoever. Please stay alert and access the correct information available on the internet. Issued in public interest by Max Bupa," the message reads.

In August this year, the Insurance Regulatory and Development Authority of India (IRDAI) also issued a notice in public interest cautioning consumers about this fake website using the name of the authority to sell insurance products to prospective buyers. The IRDAI notice said that a website using the domain name of www.irdaionline.org is selling insurance to the general public while this domain is not authorized by the Authority.

This is an important consumer alert and an eye-opener for the people who buy insurance products online without verifying the authenticity of websites before transacting through them. IRDAI is the regulator of the insurance sector and it does not sell insurance of any nature and neither will it call any policyholder for any reason. Attending these fraud calls or visiting fake websites can put your hard-earned money in danger. Therefore, avoid using or visiting such websites. In case of fraud or fake calls from anyone, inform your nearest police station or file a complaint with IRDAI at the earliest. Also do not provide your personal details to anyone, without any authentic verification.

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Source

LIFE INSURANCE

Banks may have to cut stake in insurance firms to below 30% - Money control – 11th September 2019

Banks may now find it difficult to hold on to their big stakes in insurance companies. Sources told *Money control* that the banking and insurance regulators may bring out a clarification on how much stake banks can hold in insurance companies and who will qualify. It is also likely that a bank's stake in an insurance venture could be capped below 30 percent. However, it is not yet clear as to what happens to existing ventures.

The Reserve Bank of India (RBI) has raised concerns about banks having more than 15 percent exposure in insurance companies and due to the central bank's view on the subject, a private sector bank has decided to put its stake purchase in a life insurer on the backburner.

Sources told *Money control* that the insurance regulator and banking regulator will clarify their position within the next three months.

"The idea is to ensure that the existing joint ventures do not get impacted. However, future JVs could have an impact," said an official.

Large insurers like ICICI Prudential Life Insurance, SBI Life Insurance, Universal Sompo General Insurance and Canara HSBC OBC Life Insurance have banks as promoters.

Allahabad Bank, Indian Overseas Bank and Karnataka Bank are shareholders in Universal Sampo.

In the past as well, RBI had expressed concerns about heavy cross-holding between the insurance and banking sectors. The belief was that large institutions in these sectors should not buy into each other due to the volatility in these two financial sectors.

A majority of the insurance companies in the life and general insurance sectors have banks having the status of promoters. Any entity holding more than 10 percent stake in an insurance company is classified as a promoter.

Sources said that for all future joint ventures or stake hikes by a bank in an insurance company, a closer review will be held. This will include a review of the bank's balance sheet and bad loan levels.

It is also likely that entry and exit of banks from the insurance sector will also be monitored. This is amidst talks of several public sector banks like Andhra Bank, Allahabad Bank and Indian Overseas Bank looking to monetise their stake in the insurance sector.

However, for new players this will mean tougher conditions to find an appropriate Indian partner. Apart from banks, private equity players are the only ones interested in entering the insurance sector. But, PEs usually follows a quick-entry-and-exit strategy across their investments.

(The writer is M Saraswathy.)

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Source

Looking at Ulips? Check out the pros and cons – Financial Express – 11th September 2019

While the stock markets are volatile, bank-led insurers are aggressively selling unit-linked insurance plans (Ulips) of life insurance companies. The introduction of long-terms capital gains on equity and equity-related investments has given an edge to Ulips as they are exempt from tax at the time of maturity. It is an exempt-exempt-exempt product and the investor can claim tax exemption under section 80C of the Income Tax Act, 1961.

The amount invested in Ulips is eligible for tax deduction under Section 80C subject to a maximum of Rs 1.5 lakh a year but with the condition that premium should not exceed 10% of the sum assured. One can invest in Ulips for long-term financial goals such as retirement, higher education of children and their marriage.

Insurance and investments

These products are market-linked investment products with a thin crust of life insurance and the lock-in period is five years. Policyholders have the option of selecting large-, mid- or small-cap or even debt fund to invest depending on their risk appetite. An investor can buy endowment Ulip and can withdraw the fund value after five years. In mutual funds, only equity-linked savings schemes (ELSS) have a three-year lock-in period.

As Ulips are market-linked, they can be volatile in the short-term. Market volatility can affect the fund's net asset value daily and the returns are not guaranteed by the insurer. Traditional policies are not market-linked and the investment is done in debt-related instruments.

For policyholders, returns depend on the kind of fund option they select. The NAV of the funds are declared every day by the insurers. Ulips allow the policyholder to switch between the fund options on paying switching charges to the insurance company.

However, since Ulips are mainly equity-related investments, policyholders must look at a long-period of holding, ideally 10 years, to reap the gains from the markets and link it to long-term financial goals.

Cost structure

Policyholders should look at cost structure carefully before investing in Ulips as higher costs will reduce the value of the fund in the long-run. In equity-related investments, the expense ratio of mutual funds is one of the lowest at 1.5-3%.

In 2010, the insurance regulator capped the exorbitant charges levied by the insurers, which were front-loaded. It has capped the charges and net reduction in yield for the customers.

Currently, there are four kinds of charges in Ulip allocation, policy administration, mortality and fund management charges. The fund management charges are capped at 1.35%. The policyholder should assess his own risk profile before investing in Ulips and the risk-reward ratio for Ulips is high.

The premium allocation charge in Ulips is directly deducted from the premium paid by the policyholder for allocating the units. It is charged by the insurers to recover the costs incurred in processing the policy such as underwriting, medical examinations and distributor fees. Mortality charges compensate the company in case the policyholder does not live till the policy period and if the insurer has to pay any death benefit.

The mortality charge will depend on the age of the policyholder, occupation, location and is calculated per thousand of sum at risk. So, higher the sum at risk, higher will be the charge. Also, greater the age, greater would be mortality charges on the Ulips. Mortality rate is higher for Ulips as compared with term plans.

The fund management charge is deducted towards managing the fund and is levied as a percentage of the value of assets. It is deducted by the insurer before arriving at the net asset value. As it is levied on the accumulated amount and as per regulatory norms, insurers cannot levy fund management charges more than 1.5%.

Ideally, an individual should opt for a pure term insurance plan to cover the life risk and protect the family. For investments, he should look at equity mutual funds for higher long-term returns.

Moreover, a mutual fund investor can pause his systematic investment plans in case of a financial crunch or stop the investment if the fund is under performing. However, in Ulips the individual will have to stay invested for five years. So, look at all the aspects before deciding on investing in Ulips.

The writer is Saikat Neogi.

Source

TOP

Life insurers seek IRDAI nod to sell indemnity-based health insurance - The Hindu Business Line – 11th September 2019

Life insurance companies have approached the Insurance Regulatory and Development Authority of India (IRDAI) for permission to start selling indemnity-based health insurance products once again, although general insurance companies are not too happy with the proposal.

"Given the low penetration of health insurance in the country, there is enough scope and also requirement for sale of more of these products. Life insurance companies already sell protection for critical diseases such as cancer cover, and also have a huge distribution network across the country, which can be used to sell health insurance," said two persons familiar with the development, adding that they have approached the regulator on the issue.

The IRDAI had, in 2016, issued new health insurance regulations, under which it had barred life insurers from selling indemnity-based health insurance products, either as an individual or a group policy, or also from offering single premium health insurance products under the unit-linked platform. It had allowed only general insurers and health insurers to offer individual health products with a minimum tenure of one year and maximum of three years, provided the premium remains unchanged for the tenure.

"Life insurance companies now can no longer offer comprehensive protection to a customer who may be looking for term insurance as well as health insurance and have to refer them to another company. This also poses to be a major challenge," noted an executive with another insurance company.

Life insurers have to tie up with a general or health insurance company to provide health plus life products. Sources said life insurance companies have proposed reviewing the current bar to IRDAI Chairman Subhash Chandra Khuntia, although the regulator is yet to take a view on it. However, many general insurance companies are not happy with the recommendation as they are of the view that they have better wherewithal to not only sell insurance but also process and settle claims.

"There is a view that general insurance companies have the infrastructure and expertise to handle indemnity-based claims. Also, the IRDAI regulations very clearly say that general insurance companies can sell health insurance. So, what is the need to disturb this at present," noted a representative of the general insurance industry, adding that this has been an ongoing debate.

According to IRDAI data, the penetration of non-life insurance sector in the country stood at 0.93 per cent in 2017, against 2.76 per cent for life insurance. The government and insurers have been hopeful that Ayushman Bharat will increase awareness and penetration of health insurance.

(The writer is Surabhi.)

TOP

Source

Reasons to invest in a child insurance plan – DNA – 9th September 2019

Wanting the best for your child is very natural. For every parent, the primary concern lies in ensuring that their kids have a secure and better tomorrow. This involves being able to give your child the best possible future and have all the necessary financial support during all the major milestones of their lives –education, lifestyle, marriage and so on. But to achieve this, one should have a clear cut plan about how to provide for the same.

Why it makes sense

Typically, your financial planning starts off with goals in your mind. As we talk about priority goals, child planning is sometimes even a shade above retirement planning. Yet, many of us leave it to the last minute, while others tend to bank on a half-baked plan. However, with the help of some careful forward planning, you can ensure the future of your child. With the skyrocketing cost of education, funding your child's education is a hot topic today. So, for starters make an estimate of when your child will go to college and plan accordingly. College education for your child in a good institute can set you back by approximately Rs 20-30 lakh. These are the current costs, so you need to first draw how much the education will cost 12-15 years down the line. And a wedding that costs Rs 25 lakh today, would cost nearly Rs 70 lakh 21 years from now at an assumed inflation of 5%.

Taking a child insurance plans helps to secure your child's future and ensures that all your child's needs are met even after you are not around. The beauty of investing in a child insurance plan is that it continues even after the demise of the policyholder. The plan comes with the waiver of premium feature where the insurance companies take care of future premiums and creating fund of the desired amount.

Waiver of premium
Almost all child plans work on the same structure where you need to first choose a child plan from any of the life insurance company and then start paying a premium as per the plan structure and on the promised maturity day, you will receive an increased sum of money (maturity fund) using which you can meet the financial needs of your kids like education. But, does the basic plan will achieve the desired fund or your child's future? If not, then child plan with waiver of premium is the solution for you.

Unlike any other insurance plan, a child plan with waiver of premium (in-built) rider is a unique solution because it even continues after the death of the policyholder. And the benefit doesn't just stop here. The insurance company keeps the plans active and continues to fund the policy by paying the remaining premiums and monthly income.

How it exactly works?
A parent can start investing within 60 to 90 days of your child's birth to accumulate larger sums which may not be possible in later stages of life.

For instance, Sharma choose a child insurance plan with a policy term of 10 years where he paid Rs 1 lakh premium annually. However, during the second policy year Sharma dies in an unfortunate event. Total premium paid is Rs 2 lakh. As a result, Sharma's nominee receives alump sum of Rs 10 lakh or 105% of the total premiums whichever is the highest. However, if it was a basic child plan it would have ended here. But, Sharma opted for plan with inbuilt waiver of premium where the pending premiums will be taken care by the insurer itself and the nominee is now eligible to receive monthly income of Rs 8,300 for 8 years which is Rs 7,99,680. Also, in the end the nominee receives a lump sum of Rs 14,35,771 at an assured investment return of 8%.

(The writer is Santosh Agarwal.)

Source

TOP

Agents and guaranteed income remain the fulcrum of insurance business: Subhasish Acharya - The New Indian Express – 9th September 2019

Insurance companies are increasingly finding that the fulcrum of business remains the humble agent and that Indian customers prefer the plain vanilla guaranteed income life insurance product. "We are an agent-centric firm and do a large chunk of our business through agents. India is one of the most under-insured nations and we feel that increasing the number of agents and digitally empowering them is the best way of increasing business," said Subhasish Acharya, executive vice-president, Future Generali India Life Insurance Co Ltd.

Gross premiums written in India reached Rs 5.53 trillion with Rs 4.58 trillion from life insurance and Rs 1.51 trillion from non-life insurance. However, insurance penetration, which calculates premium as a percentage of GDP, reached just 3.69 per cent.

"More agents would push up insurance sector growth and tap the untapped potential of the sector. Typically, for every 40 agents, there is one insurance company employee supervising business. So, the amount of jobs that can be created is quite large," said Acharya. Private insurers have over 1 million agents as of March 2019 and LIC has about 1.18 million agents. Interestingly, LIC does a little over Rs 60,000 crore worth of new business premium, whereas private insurers do about Rs 20,579 crore of new business annually.

More importantly, insurance density or the per capita insurance premia collected stood at a low of $74 in India compared to a global $567, $406 for China and $2,879 for Western Europe. "There is a lot of scope for expansion," said Acharya. An India Brand equity Foundation study forecasts that the overall life insurance industry is expected to reach $280 billion by 2020 from $ 94.48 billion in 2018, with the life insurance industry alone growing at 12-15 per cent annually for the next three to five years.

"We have found our individual customers prefer a guaranteed plan where he or she knows how much would be paid over a period and how much would come back as guaranteed income," said Acharya.

(The writer is Jayanta Roy Chowdhury.)

Source

TOP

Benefits of a life insurance – Outlook – 9th September 2019

Life insurance has been around for long. But if you don't have an insurance, don't be surprised, there are many in India who don't have an insurance policy to their name. In fact, according to the Insurance Regulatory and Development Authority of India (IRDAI) report of 2017-18, the insurance penetration in India stood at 3.69 per cent, one of the lowest across the world.

The lower penetration and adaptation of insurance is baffling but what is not baffling is the importance and benefits of insurance, especially life insurance. The benefit is what makes it a must for everyone's financial planning. The insurance policy helps a family breadwinner to transfer various sorts of risk and provides cover in financial emergencies. In life insurance, the family breadwinner can provide financial security to the family even in case of his/her untimely demise.

Financial planning allows us to be ready for financial requirements of different sages of life but it's difficult to find a single solution for different requirements borne out of different life stages.

"Life Insurance is one instrument which plays an important role in your financial planning as there are varieties of insurance plan which are suitable for different needs," said Tarun Rustagi, Chief Financial Officer of Canara HSBC Oriental Bank of Commerce Life Insurance.

"Topping this chart is Term Insurance, which is a must in everyone's wallet as it will ensure the financial security for your family in your absence," added Rustagi.

We all work hard to ensure a comfortable life for our loved ones but what eventualities hide if near future is impossible to predict. But life insurance is a product which will provide the security to our loved ones. It will enable them to lead the same lifestyle and have the same financial security, even in our absence.

“All of a sudden when you are gone money received (lump sum or regular income) from life insurance plans is there to support these needs and at least cover the financial gap, therefore its must for each and every one,” said Rustagi.

There are various options available under term plans such as return of premium, spouse coverage, money back options and other. One of the biggest benefits of term plans is their easy affordability.

But term plans are not the end of it. There are various other life insurance plans that would give you life cover and also take care of your cash flow needs in the future. Options like endowment and ULIP products provide other financial benefits apart from providing life cover. The best life insurance plan will vary basis the needs or goals of an individual.

The writer is Nirmala Konjengbam.

Source

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4 mid-cap ULIP funds for you - The Hindu Business Line – 9th September 2019

Mid-cap funds offered by unit-linked insurance plans (ULIPs) have shown good returns over the long run; their performance has been similar to their mutual fund counterparts.

Here, we look at the performance of the top four mid-cap equity funds offered by ULIPs. Currently, ULIPs, put together, have 16 mid-cap funds.

Mid-cap funds invest mainly in mid-sized companies and are suitable for investors with a high appetite for risk.

In mutual funds, mid-cap funds are mandated to invest at least 65 per cent in companies that are ranked between 101 and 250 in terms of full market capitalisation. In ULIPs, the mid-cap funds, however, follow their own market capitalisation classification. During uncertainties, many funds have been seen increasing allocation to large-cap stocks, while some have upped their cash holdings up to 35 per cent. They follow Nifty Midcap 100 and Nifty Midcap 50 as benchmark.

Over the past year, stocks in the mid- and small-cap universe have corrected significantly. While the Nifty 50 tumbled 5 per cent, Nifty Midcap 100 index plummeted about 20 per cent. Mid-caps under the ULIP and mutual fund categories declined 18 and 15 per cent, respectively. But near-term gyrations should not be a deterrent. Over a longer period, these funds are wealth builders and can help you beat inflation.

Investors can switch or invest a portion of the premium in the below-mentioned funds. These funds are shortlisted based on the rolling returns calculated from the last seven-year NAV history (Source: Capitaline database).

Tata AIA Whole Life Midcap Equity Fund
Under Tata AIA’s ULIP, its whole life mid-cap equity fund is a good option. Launched in January 2007, Tata AIA Whole Life Midcap Equity Fund has been one of the top performing ULIP funds under the mid-cap category. It delivered 5, 12 and 18 per cent compound annual growth rate (CAGR) during three, five and seven years respectively, while the ULIP mid-cap category posted 4, 9 and 14 per cent returns. The Nifty Midcap 100 index delivered 2, 8 and 13 per cent returns, while the mutual fund mid-cap category delivered 4, 9 and 15 per cent returns during the periods.

A well-diversified portfolio with a blend of growth and value stocks has helped the fund deliver above-average returns. In the bear phases of 2011, 2013 and 2018, it contained the downsides well and delivered higher returns than the benchmark and the category. The performance during bull runs has been noteworthy. The top three sectors are finance, chemicals and pharma.

Birla Sun Life Multiplier

Birla Sun Life Multiplier delivered 5, 11 and 15 per cent CAGR during three, five and seven years respectively. The fund's performance has been notable, especially in the bull market cycles. In the 2014 and 2017 bull markets, it clocked 64 and 51 per cent annualised returns, while the category delivered 61 and 43 per cent returns respectively. The fund managed to match the category returns in the bear phases too.

The fund selects stocks whose market capitalisation is Rs. 1,000 crore and above, while having the option to allocate up to 30 per cent of the assets to large-caps. Its prompt moves to increase cash and debt positions to reduce risks, have helped the fund deliver above-average returns.

Bajaj Allianz Accelerator Mid-Cap Fund II

The fund has delivered a CAGR of 12 per cent return since its launch in January 2010. Over the last, three, five and seven years, the fund generated a CAGR of 6, 9 and 14 per cent returns. Its benchmark Nifty Midcap 50 delivered 4, 6 and 11 per cent returns during the period.

Prudent cash calls have helped the fund contain the downsides well. For instance, in the 2011 and 2018 bear markets, the fund declined 25 and 10 per cent respectively, while the category registered negative returns of 29 and 12 per cent respectively.

The fund focuses on growth at a reasonable price (GARP) stocks with good corporate governance. As per the latest portfolio, the exposure to mid- and large-cap stocks was 68 and 32 respectively.

HDFC Standard Life - Opportunities Fund

This fund manages the highest corpus of Rs. 14,034 crore (as on July 2019) among the ULIP mid-cap category. It delivered 4, 10 and 13 per cent CAGR during three, five and seven years respectively, while Nifty Midcap 100 index delivered 2, 8 and 13 per cent returns during the periods.

The fund managed to deliver outperforming returns, especially in choppy markets. For instance, in 2015 and 2018, it posted 7 per cent and -9 per cent respectively, while the category posted 6 and -11 per cent.

It cherry picks stocks with market capitalisation equal to or lower than the market capitalisation of the highest weighted stock in the NSE CNX Midcap Index. M&M Financial Services, Voltas and Indraprastha Gas are the top stocks in the portfolio.

(The writer is Dhuraivel Gunasekaran.)

Source

TOP

Going to enhance life insurance cover? Know, for how much sum assured you may apply – Financial Express - 8th September 2019

Death is certain, but nobody knows when he/she is going to die. This uncertainty creates a peril, so taking life insurance is very important for the earning member of a family having financially dependent members. This is because, in case of untimely demise of the earning member, the life of financially dependent members would get jeopardized due to lack of money to sustain their lives.

To determine how much life cover a person needs, there are various formulas – like human life value etc and one should take adequate life cover to ensure that the family may maintain the standard of living by investing the money received from the insurance company.

There are two basically two types of insurance plans available – term insurance plan and endowment insurance plan. Term insurance plans are pure risk plans where there is no maturity value and only nominee gets money in case of unfortunate death of the life assured. On the other hand endowment plans, along with the death cover, also provide maturity value if the life assured survives the full policy term.

Age	Cover as a multiple of average of 3 years' annual income
Up to 30 years	22 times
Up to 40 years	17 times
Up to 50 years	12 times
51 years and above	10 times

Endowment plans are expensive and a person may not be able to take adequate cover due to high premium, while sufficient cover may be taken through the cheaper term plans.

But, is that mean an applicant may apply for as much SA as he/she wants subject to premium payment capacity?

The answer is 'No'. As the motive of having life insurance is to replace the loss of earnings due to untimely demise of the earning member, the eligibility to apply for the amount of SA depends on annual earnings and age of the member.

So, a person may take total life cover according to the following table taking all the in force policies taken together.

So, in case the average of last three years earnings of a 28-year-old applicant is Rs 5 lakh, he/she may take total life cover of Rs 1.1 crore. So, if the applicant already has taken insurance cover of Rs 10 lakh, he/she may apply for Rs 1 crore SA.

Similarly, a 40-year-old person having average annual income of Rs 10 lakh for last three years, will be eligible to take total life cover of Rs 1.7 crore, while a 50-year-old person having three years average annual income of Rs 20 lakh would take total life cover of Rs 2.4 crore.

On the other hand, a 55-year-old person having three years average annual in come of Rs 25 lakh will be eligible to take total life cover of Rs 2.5 crore. So, to ensure that your application is not get rejected, keep in mind your age, income level and amount of current life cover you have, before applying for additional insurance cover.

In case you don't mention the existing policies, your application may be accepted, but in case of any eventuality the nominee may not get the claim amount of the additional cover. So, you have to mention the SA of existing policies to ensure that the claim is not rejected due to non-compliance of the disclosure provision.

(The writer is Amitava Chakrabarty.)

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Source

Term plan premiums explained – Mint – 8th September 2019

Life Insurance is not about investing your money to earn a return on it, it's about financial protection for your loved ones. And the most efficient way to do that is through a term insurance policy. This policy does not invest your money which means you pay only for insurance and after the policy term ends you don't get any money back. But on death during the policy term, it pays a huge corpus to the nominees that can help them tide over any financial crunch and ensure their live are not thrown out of whack. A term plan is the only kind of life policy you need to have because it gives you a large cover for low cost.

However keep in mind that buying a term plan also needs due diligence at your end when filling up the insurance policy form called as the proposal form. Read here to understand what determines your experience of buying a term insurance policy.

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

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

Source: SecureNow Insurance Broker Pvt Ltd

SANTOSH SHARMA/MINT

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It's Time To Switch To E-Insurance Account And How To Do It – Outlook – 7th September 2019

If you are not good with managing and preserving documents, then even something as useful as insurance could give you added problems in the time of need. Life insurance policies are brought with an eye on the future and therefore there's a need to preserve this documents for long term, in order to make the claim at the right time and enjoy the benefits.

But maintaining the physical documents for a long time could be tricky with them being vulnerable to getting misplaced or defaced. The saviour however is eIA — electronic insurance account. An electronic account that can hold the policy documents in digital form and allows the insured to access those documents at a few clicks.

"eIA is accessible 24x7, enables multiple policies to be stored in a single account and viewing, modifying or updating information is easy," said Ashish Rao, head of customer service and operations for ICICI Prudential Life Insurance.

One of the major benefits of eIA is the simplified process of making changes to customer details. For instance, a customer needs to make only one address change request for all policies across life insurers, stored in the account. The other major benefit that accrues to customers is the KYC authentication done at the time of account opening is valid for purchasing life insurance policies in the future.

The best part about eIA is that opening an electronic account is free and the whole procedure is extremely easy. Anybody willing to open an eIA just needs to fill the account opening form and should submit it to an insurer or IRDAI insurance repositories along with PAN or Aadhaar card, address and date of birth proof along with a cancelled cheque. An account can be opened in seven days if a complete form along with all required documents are submitted. A person can also open eIA without buying an insurance policy.

"We urge customers to open e-Insurance accounts as it is convenient to store and manage the policies," said Rao. If you want to convert you existing policy to e-insurance, then you need to fill out the conversion form with details like name of the life insurance company, policyholder name, policy number and the e-Insurance account number. The policy document may or may not be attached with the form depending upon the requirement of the life insurance company.

"On receipt of policy conversion request, the life insurance company will credit the policy to the policy holder's e-Insurance account in approximately five days," added Rao. The insured might have concerns about the safety of eIA. The e-account though is as safe as electronic bank accounts. With eIA, customers are also provided an unique log in id, password and account number. Easy and safe; it's a winning combination as far as managing our insurance policy documents are concerned and it's time to switch to eIA.

(The writer is Nirmala Konjengbam.)

Source

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IRDAI New Regulations: Keeping minimum sum assured will have income tax implications - Financial Express – 6th September 2019

The primary objective of life insurance is to act as an income replacement tool and thus provide adequate protection to the insured's family. For such a need, a pure term insurance plan fits the bill. For those who wish to save through life insurance plans, there are several other options as well. There are tax benefits on the premium paid towards life insurance plans as well, but they should only be considered as incidental to your purchase. The Insurance Regulatory and Development Authority of India (IRDAI) has recently revised certain parameters in life insurance plans. **Aalok Bhan, Director & Chief Marketing Officer, Max Life Insurance**, in an email interview talks about the various offerings of a life insurance company that one may look at for protection and saving needs and the new rules impacting life cover.

It is being proposed to lower the life cover multiple in life insurance policies. How will it help policyholders? How will tax benefits be impacted?
IRDAI's new regulations on life insurance policies have given the flexibility on choices of sum assured multiples. It has also now reduced the minimum sum assured to 7 times the annual premium, from what previously was 10 times the annual premium for those below 45 years of age. The 7 times cover shall mean lower mortality charges, which would result in higher investable corpus leading to superior absolute returns for the customer.

However, opting for only a minimum sum assured of 7 times the annualized premium will have income tax implications where for availing income tax benefits under section 80C & 10 (10D) respectively, the minimum sum assured needs to be 10 times the annualised premium for the policyholders to take advantage of tax exemptions.

For a Millennial, other than term insurance plans, what are the risk covers available with a life insurance company?
The market offers varied policies today that take into account millennials' rapidly changing needs, health risks and existing financial aspirations and offers them myriad options to choose from. Other than opting for pure protection term plans that include Term plan with Return of Premium (TROP) options to secure their families from uncertainties of life, millennials can benefit from Unit Linked Insurance Plans (ULIPs), endowment plans, Child Plans, Retirement and Critical Illness plans as well.

Working millennials in their mid-20s and early 30s with long term wealth creation goals could opt for ULIPs, or traditional platforms depending on their risk appetite. ULIP's will provide a risk cover and enable them to invest into equity or debt markets basis their risk appetite and gain significant returns which can then be used to accommodate their goals. Endowment plans on the other hand, can be suitable for millennials planning to start or have a family. The savings from the plan can be withdrawn and be used for different milestone purposes such as child's education, marriage, etc.

Whom does TROP plan suit? What makes them score over pure term plans?
At times, customers tend to be on the fence when buying a term insurance plan, simply because of the thought that if they outlive the term period, they will receive no returns on the premium paid and will incur a 'loss'. To counter this barrier, Term Plan with Return on Premium Option (TROP) is offered by life insurers that features a premium back option if the life insured outlives the term policy.

TROP offers a pertinent combination of financial security and long-term financial planning by providing survival benefits at the end of the policy term equivalent to all premiums paid. It thus becomes an ideal solution for those seeking guaranteed cash value while also availing life insurance cover for a defined term.

How simple are ULIPs for a potential buyer to understand and save through them?
ULIPs are fairly simple plans to understand. They are highly transparent products where charges are shared as part of benefit illustration at the time of buying the policy. Apart from this, the investment performance is reported daily and monthly for all funds.

Also, part of the investment made into ULIPs are treated as premiums for insurance cover, while the remaining is invested into equity or debt markets, or in both, basis customers' choice and risk appetite. From a long-term perspective, ULIPs can help save for various life goals such as buying assets, weddings, education, starting a family, etc.

(The writer is Sunil Dhawan.)

TOP

Source

GENERAL INSURANCE

Cheer for exporters: New credit scheme on anvil with enhanced insurance cover; to benefit MSMEs – Financial Express – 12th September 2019

Addressing the Board of Trade meeting on Thursday commerce and industry minister Piyush Goyal said that his ministry will soon launch a credit scheme for exporters that will have improved insurance cover from 60 per cent currently to 90 per cent. The announcement was followed by his comments on 'not satisfactory' growth in exports this year as the country has huge export potential "due to the trade dispute between the US and China which has provided a window of opportunity to Indian manufacturers," said Piyush Goyal as higher tariffs have been imposed in the US and China on imports from the other country.

Highlighting India's trade surplus of $17 billion with the US and trade deficit of $53 billion with China, Piyush Goyal said that India needs to work on its strengths by exploring market access for agriculture and pharma products in different regions. Commerce minister comments on boosting exports gain significance as MSMEs contribute a significant share of India's total exports. MSME-related products share in FY19 stood at 48.10 per cent as per the information from Directorate General of Commercial Intelligence and Statistics, MSME Minister Nitin Gadkari had said in a written reply in Rajya Sabha in July. The value for MSMEs' share of exports was $147.4 billion while last year till September MSMEs exported goods worth $78.5 billion.

While India's total exports crossed half-trillion-dollar mark at $537 billion in FY19, goods and services exports were at a record high of $331 billion $205 billion respectively, said Goyal. However, as India envisioned having $1 trillion export target in five years, the minister called for improving domestic production and more competitiveness.

The government in the past has taken steps with respect to digitising the interaction with exporters such as e-issue of importer-exporters' code, paperless Merchandise Exports from India scheme, paperless advance and EPCG authorizations and online registration cum membership certificates for exporters. Piyush Goyal highlighted export opportunity areas such as saris, utensils, perfumes, sweets that are unique to India's various states. The minister urged the states to identify such areas of opportunities and incorporate it into their export strategy.

(The writer is Sandeep Soni.)

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Source

Khattar launches two insurance schemes for traders - The Hindu – 12th September 2019

Ahead of the Assembly polls, due next month in **Haryana,** the State government on Wednesday launched two insurance schemes for registered small and medium traders in an apparent bid to woo voters.

Chief Minister Manohar Lal Khattar launched "Mukhya mantri Vyapari iSamuhik Niji Durghatna Beema Yojana" and "Mukhya mantri Vyapari Kshatipurti Beema Yojana" here.

"The premium of 38 crore people of both the schemes would be paid by the State government," said Mr. Khattar at a press conference.

Mr. Khattar said an insurance cover of ₹5 lakh would be provided under the Durghatna Yojana and from ₹5 lakh to ₹25 lakh under the other scheme.

"Traders registered under the Haryana Goods and Service Tax (HGST) Act, 2017 would be covered under these schemes," he said.

The Chief Minister said Haryana was the first State to implement the Kshati purti Yojana, under which insurance benefits ranging from ₹5 lakh to ₹25 lakh would be provided to the traders on the basis of their turnover to compensate the loss of their stock caused due to fire, theft, flood and earthquake and damage to furniture and other goods.

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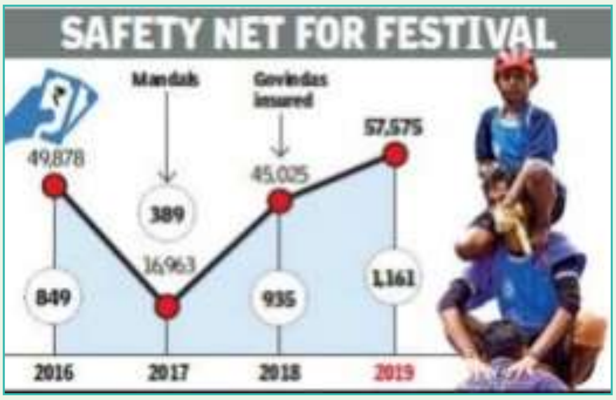
Source

Mumbai: 58,000 Govindas had insurance cover this year, a 30% increase – The Times of India – 10th September 2019

Days after a 26-year-old Govinda from Thane succumbed to injuries sustained during dahihandi celebrations on August 24, the association of mandals stated there has been a steady rise in the number of participants taking insurance cover over the years. The deceased Govinda, Dakshak Kelaskar, however, didn't have a life cover or any insurance to take care of the treatment cost, his family had told TOI.



Dahi Handi Samanvay Samiti (DHSS), a government-recognised umbrella body of Govinda mandals in the city, told TOI nearly 58,000 Govindas from 1,161 mandals had an insurance cover this year, a near 30% jump as compared to last year.

In 2018, 45,025 Govindas were insured by 935 mandals, which was a big jump from 16,963 in 2017. Following a Bombay high court direction to improve safety measures, the DHSS had, in 2018, increased the life insurance cover for Govindas to Rs 10lakh from the previous Rs 2lakh.

Kalkaska's death has put the spotlight back on whether the safety measures are adequate and if mandals are insuring the participants. "The Thane boy's death is unfortunate, but fact is more mandals have started insuring their team members. Majority of accidents being reported now are from the unregistered mandals," said Anil Patil, executive president, DHSS. "The sad part is that a spot insurance cover is available for a premium of as little as Rs75 per participant, yet there are groups that don't buy insurance," he said. Patil claimed dahihandi has become safer since the high court order on safety measures such as wearing of helmets, knee protectors, chest harness etc.

This year, hospitals across the city reported over 200 injuries. The number is definitely lower than in 2013 when 650 were injured or even 2015 when nearly 364 Govindas had to be rushed to hospitals. "The injuries have definitely come down over the years. Previously we used to see over 20-25 fractures and 5-6 spinal injuries, but that number has dropped by over a third. However, lessons should be learnt from cases like Kelaskar," said Dr Arvind Goregaonkar, head of orthopedics, Sion Hospital.

(The writer is Sumitra Debroy.)

Source

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Centre to infuse ₹12,000 crore in state general insurance firms – Mint – 6th September 2019

Following the recapitalisation of public sector banks (PSBs), now public sector insurance companies -- National Insurance, Oriental Insurance and United India Insurance -- are going to be infused with funds worth ₹12,000 crore to boost their capital base and meet regulatory norms, sources said.

The Budget had provisioned ₹70,000 crore for PSB recapitalisation and last week a ₹55,250-crore infusion was announced in several PSBs for regulatory and growth requirements.

The nodal Department of Financial Services has approved the ₹12,000 crore capital infusion plan in the three state-run general insurance companies as their financial conditions are very weak.

Last year's Budget announced plans to merge these three insurance companies, and thereafter list the combined entity. The process of merger could not be completed due to various reasons, including the companies' poor financial health. For listing, a 1.5 solvency ratio is needed which at present is not the case with two of these companies.

These two units are struggling to maintain their solvency ratio, which is a key financial metric used to measure a company's ability to meet its debt obligations. As against the Insurance Regulatory and Development Authority's (IRDA) solvency ratio norm of 1.5, National Insurance has a solvency ratio of 1.5, while United India's level is comparatively lower at 1.21.

The consolidation in the public sector general insurance companies is part of the disinvestment strategy of the government. The Centre had appointed EY as a consultant to see through the completion of the merger process. Sources said the government would have to infuse ₹12,000-13,000 crore in these three companies to improve their solvency ratio and prepare them for the merger.

Sources said that these three insurance companies will be merged after the capital infusion, and post the merger, the entity will be the largest insurance company in the country. In 2017, New India Assurance Company and General Insurance Corporation of India were listed on the bourses and the exchequer earned money from the stake sale. The government has fixed a disinvestment target of ₹1.05 lakh crore for the current fiscal.

Source

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HEALTH INSURANCE

Fraudsters threaten to bleed Ayushman Bharat scheme - The Hindu Business Line – 13th September 2019

Fraudsters are coming up with ingenious ideas to take the Central government for a ride when it comes to the 'Pradhan Mantri Jan ArogyaYojana' (PM-JAY) or the Ayushman Bharat initiative, says the National Anti-Fraud Unit (NAFU), which monitors outliers in the scheme.

In one such bizarre case, NAFU officials noticed that claims had been raised under the PM-JAY for as many as eight deliveries by women in one house at the same time. "This is impossible. How can eight women be pregnant at the same time, that too in the same home?," a senior NAFU official exclaimed.

Investigations revealed that up to eight ineligible pregnant women, unrelated to each other, had gotten themselves enrolled in PM-JAY through fake e-cards. These cards were made by faking relationship with a PM-JAY parent-beneficiary. PM-JAY uses Socio-Economic Caste Census Data (SECC) to ascertain beneficiary families and primarily records the name of the head of the family. Other family members get e-cards based on proving their relationship with the head of the family.

"In some cases, we found that village entrepreneurs in common service centres (CSCs), who get e-cards made, had stolen parent beneficiary identities from SECC data, and through impersonation, established a familial link between otherwise ineligible strangers and the parent beneficiary; they later made fake e-cards for them," the official explained.

The fraudsters establish fake family links by showing a forged marriage certificate, and get registered as a daughter-in-law of a beneficiary family. "In that case, you can retain your original name and identity cards, but just have to produce a fake marriage certificate to procure an e-card," said the official. Other admissible documents to add names of family members at a later stage include a ration card, a birth certificate or an adoption certificate linking the member to the SECC parent beneficiary. "Any of these documents can be forged," said the official.

In another case, in Jammu and Kashmir, multiple patients linked to one beneficiary in the same house had undergone a surgery for bladder stones.

Hospitals in cahoots
Each family (typically with four or five members) is assured a medical cover of Rs. 5 lakh annually. "The entire amount is never utilised within a year by the family. This hefty amount in an SECC registered beneficiary's family wallet leaves a massive space for fraud. First Information Reports have been lodged with the police against CSCs in Uttar Pradesh and Haryana in this regard. We have also moved to recover money in cases where hospitals and 'Arogya Mitras' were in cahoots. In certain cases, wallets of SECC beneficiaries have been mysteriously exhausted, but a plan for reimbursement has not been chalked out yet," said the official.

Such occurrences have led the National Health Authority (NHA) to step up its due diligence. "Whenever a patient gets admitted through linkage to the parent-beneficiary, we call the parent-beneficiary from our database to ask if the patient is related to him/her. Every time a patient is admitted, and through each step of insurance procedure, a text message is sent to the parent beneficiary," said the official.

However, there is no mechanism in place currently to detect all frauds. "Our staff manually monitor the outliers that reflect on the system. So, we are not able to capture all frauds that may be occurring. We are working on developing systems through artificial intelligence and algorithms, which will automatically red-flag the outliers," said the official.

Also, NHA has shut down 154 fake websites and up to 590 fake mobile phone applications that claim to enrol persons in PM-JAY by charging money.

(The writer is Maitri Porecha.)

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Source

Meghalaya health insurance scheme records 54 per cent registration - The Economic Times – 12th September 2019

The Meghalaya Health Insurance Scheme (MHIS), which is a convergence of the Centre's Ayushman Bharat has recorded 54 per cent registration in the state, a minister said on Wednesday.

Over 6,000 hospitals have been empanelled across the country under the MHIS scheme, Health Minister A L Hek said. He was replying to a call attention motion during the Autumn Session of the Meghalaya Legislative Assembly.

The minister also rubbished reports that claimed empanelled hospitals outside the state were denying treatment to patients from Meghalaya.

The central government had last year launched the Ayushman Bharat Pradhan Mantri Jan ArogyaYojana, which aims to provide a cover of Rs 5 lakh per family per year, and is likely to benefit more than 10 crore poor families across the country.

TOP

Source

Buying a health policy? Know these factors – DNA – 11th September 2019

Buying health insurance has become a matter of exigency in today's life considering the rising cost of healthcare and the enormous expenses involved in seeking treatment for various illnesses. Anand Roy, Joint Managing Director, Star Health and Allied Insurance Co Ltd, says, "To manage rising healthcare costs, one would require a health insurance plan. Increasing lifestyle diseases amongst our population and related expenses make comprehensive health insurance for the entire family a must-have. People risk their entire savings to be wiped out during hospital emergencies if they don't have health insurance. Cashless benefits provided by insurers are a boon to customers during these unforeseen circumstances. Therefore, health insurance is a necessary part of the prudent financial planning of every individual."

Investing in family health plans

Many people prefer to buy family health plans instead of individual health insurance to benefit from the health cover extended to family members including parents or in-laws in the former. However, the premium charges of family floater plans are evaluated after considering the age of the eldest member of the family. Explaining why health policies benefit young customers more, Naval Goel, CEO & Founder, PolicyX.com, says, "Young families must consider buying family floater policies as they are cost-effective and insures the entire family under one sum insured. The premium that you pay for a family floater plan depends on the age of the oldest member, so younger families with fewer age gaps benefit the most."

HEALTH CHECK
Factors one must consider before buying health insurance are the kind of basic and value-added covers the plan offers such as access to quality healthcare network, waiting period, ceiling on claims, health reward points, preventive health benefits, etc It is important to choose an adequate amount of sum assured to cover all the hospital treatment bills. While this may increase premium plans, some insurers allow the flexibility to increase the sum assured sans any additional premium charges

Factors to consider while buying health insurance

Buying health insurance in haste is futile and does not serve the necessary purpose for which it was initially bought. Prasun Sikdar, MD & CEO, Manipal Cigna Health Insurance Company, says, "Life is unforeseeable, thus to prioritise the family's health and well-being, the factors one must consider before buying health insurance are the kind of basic and value-added covers the plan offers such as access to quality healthcare network, waiting period, ceiling on claims, health reward points, preventive health benefits, inflation protection guaranteed cumulative bonus and other added benefits."

Given the numerous options available in the market, buying health insurance can be a confusing and emotionally tiring process. Enlisting some additional factors, Jaideep Devare, Managing Director, Mahindra Insurance Brokers Ltd (MIBL), says, "Considering the following key factors, before buying a health insurance cover, could help simplify the process. Some of them include coverage of daycare procedures, the inclusion of pre/post-hospitalisation expenses, the extent of coverage, age limit, co-payment clause, maternity, and newborn benefits, coverage of pre-existing diseases, etc. Every policy comes with the exclusion clause. Check the list of diseases and surgeries that are not covered under the plan before you buy."

Sum assured matters

It is important to choose an adequate amount of sum assured to cover all the hospital and medical treatment bills. While this may involve an increase in premium plans, some insurers allow the flexibility to increase the sum assured sans any additional premium charges. Subramanyam Brahmajosyula, Head -

Underwriting and Reinsurance, SBI General Insurance, says, "If you would like to have a comprehensive health plan covering all your family members, it is economical for a floater health plan which will result in significant savings in premium. Under a floater plan, the sum insured selected is available for utilisation by one or more members of the family during the policy year. The premium for a floater plan is around 30% of what it would cost if you were to opt for a separate plan for each member of your family. In other words, a floater plan offers optimum protection at an affordable premium."

Does the renewal age matter while buying health insurance?

Though the Insurance Regulatory Development Authority of India (IRDAI) mandates every health insurance company to cover its customers till they turn 65 years old, it is important to check the extent to which your choice of insurer allows the renewal of your policy. Rashmi Nandargi, Head – Retail Health, PA and Travel Underwriting, Bajaj Allianz General Insurance, says, "Renewal age is the age limit until which you can renew your health insurance policy and not beyond that. However, all retail health policies are renewable up to a lifetime. Retail health products are filed products and premium charts are predefined as per age limits. These increase over a spectrum of age as the age band changes and progresses further."

Medical insurance differs from critical illness insurance

There are two kinds of health policies available in the market, viz., medical insurance and critical illness insurance. However, while buying a health plan, many of them do not understand the difference between them and mistake one for the other. Amit Chhabra, Head- Health Insurance, Policybazaar.com, says, "A regular indemnity health insurance plan is the one where the lumpsum amount is paid to the policyholder upon hospitalisation. The amount which is paid is the actual expense incurred during hospitalisation up to the sum insured. The policyholder can opt for either cashless or reimbursement as a mode of payment. Under cashless, one can pay for the hospitalisation expenses through the cashless card where the insurance company will directly pay to the hospital, while under reimbursement the policyholder can submit the actual bills of the hospitalisation expenses to the insurer and get the same reimbursed. These plans are renewable for life even after making the claim. Most Critical Illness (CI) plans are fixed benefit plans. These plans offer protection against severe or specific illnesses and diseases. Usually, there are CI plans available for ailments such as cancer and heart diseases. These plans offer one-time lump sum payment upon the detection of a certain stage of the illness and extinguish."

(The writer is Abeer Ray.)

TOP

Source

HC seeks Delhi govt reply on plea to implement Ayushman Bharat scheme - The Economic Times – 7th September 2019

The Delhi High Court on Friday sought Delhi government's response on a plea seeking its direction to the AAP dispensation to facilitate the implementation of the Centre's flagship Ayushman Bharat health insurance scheme in the national capital. The PIL, filed by Delhi BJP media in-charge Pratyush Kanth and legal cell in-charge Surya Prakash Khatri; said Delhi must take adequate steps to tackle the rise in diseases and to have a cogent medical infrastructure to cater to the emergent needs of its inhabitants.

Representing the petitioners, advocates Jayant Tripathi and Saniya Scott argued that the Delhi government is not implementing the Ayushman Bharat scheme and claiming it has a better policy. However, no such Delhi government policy exists, the counsels claimed.

They urged a bench of Chief Justice D N Patel and Justice C Hari Shankar to ask the Aam Aadmi Party government to produce the policy.

Seeking a direction to the Delhi government to implement the scheme, the petition said, "The Government of India, in order to ensure that its population has universal access to good quality healthcare services without anyone having to face financial hardship, inaugurated the flagship 'Ayushman Bharat Scheme' under the leadership of Prime Minister Narendra Modi. The Government of India in order to fulfil the vision of Health for all and Universal Health Coverage, enshrined in the National Health Policy, 2017, conceptualised the said scheme."

It said a majority of states and union territories have signed a memorandum of understanding with the central government barring Odisha, Telangana and Delhi. "However, in order to effectively and efficiently tackle the issue of inadequate medical infrastructure, it is imperative for the aforementioned states and union territories to adopt the scheme, in the larger interest of the public," it said.

Billed as the world's largest government healthcare programme, Ayushman Bharat will be funded with 60 per cent contribution from the Centre and the remaining from the states.

The scheme targets the poor, deprived rural families and identified occupational category of urban workers' families, 8.03 crore in rural and 2.33 crore in urban areas, as per the latest Socio-Economic Caste Census data. It will cover around 50 crore people and there is no cap on family size and age in the scheme, ensuring that nobody is left out.

Over 8,735 hospitals, both public and private, have been empanelled for the scheme.

TOP

Source

Private insurers' decision to cover IVF treatment is a good idea – Financial Express – 7th September 2019

With private insurance providers now looking to include in vitro fertility (IVF) treatments within their health insurance plans, millions in the country looking at IVF as an option for parenthood are likely to receive the news well. In the pilot stage, companies will offer IVF cover, linked to maternity cover, as part of high-sum-insured premium policies to pre-existing clients; it will be part of health plans that support outpatient care, emergency services, and maternity and neonatal care. To avoid frauds, the plan will include a sub-limit, and specify the number of embryo-transfer attempts, with the possibility of covering additional cycles, in the event that the first is unsuccessful.

At present, 27.5 million couples in India suffer from infertility—in percentage terms, this is about 10-15% of couples who are actively seeking a child. By 2020, this number is expected to rise a further 10%. Yet, owing to the high costs of IVF—a single IVF cycle in India can cost anywhere between Rs 1.25 lakh and Rs 2.5 lakh—not many are able to afford it. Often, this can lead to couples seeking alternate fertility treatments from quacks, the efficacy of which is questionable, at best, and which can have tremendous health costs for women. The traditional reluctance to cover IVF under health insurance plans comes, apart from the high cost to the provider, from the fact that IVF is a planned event. However, the World Health Organisation defines infertility as a disease of the reproductive system, and is, therefore, a significant aspect of maternal health, which is covered under health plans. Globally, too, IVF is increasingly being covered under health insurance plans. The public insurance companies must take a cue from their private counterparts to make IVF insurance competitive.

TOP

Source

Mediclaim premium for retired bank employees set to rise by 10-15% - The Economic Times – 6th September 2019

United India Insurance is set to bag the contract for providing medical insurance cover to bank employees again, while the premium may be 10-15% higher this time as employees have sought more facilities from the insurer, two people familiar with the development said.

Among all general insurance companies including private players, United India bid the lowest, the persons cited earlier said. The renewal process is being conducted by Indian Banks' Association (IBA).

Group mediclaim policy covers existing and retired employees. While banks bear the premium burden for the current employees, the likely rise in premium is going to hurt retired bankers. Several retired bankers opted out of the scheme in the past, failing to foot the premium bill.

"While we agree that increase in benefit is a welcome sign for the beneficiaries, but top priority for retirees is to keep the rates affordable. Premium rates have gone up more than four times in the last four years," said SC Jain, general secretary of All-India Bank Retirees' Federation, in a letter to All-India Bank Employees Association (AIBEA) general secretary CH Venkatachalam.

The premium for FY20 may rise to Rs 30,000 a year from Rs 26,000 for those who retired as workmen employees, irrespective of their pension earnings. Repeated rise in annual premium has forced many retirees to opt out of the scheme, especially those who retired before 2002.

For instance, some 120,000 former bank employees who had retired before 2002 with Rs 1.5 lakh annual pension, 50,000 family pensioners with Rs 95 lakh annual pension, and about 900 pre-1986 retirees who get just about Rs 40,000 ex-gratia payment annually, are most likely to opt of it, as they may not be able to pay a higher premium.

"Retirees from the above categories are the most vulnerable class and need support from all of us for continuance of the scheme at a reasonable rate," Jain said. Suggestions to create different slabs of insurance coverage has gone to IBA. "We have requested IBA not to raise insurance premium for retirees," Rajen Nagar, president at AIBEA said.

(The writer is Atmadip Ray.)

Source

TOP

CROP INSURANCE

AIC enters coinsurance deal with 3 public sector insurance firms for PMFBY - Business Standard – 12th September 2019

Agriculture Insurance Company (AIC) has entered a co-insurance agreement with three other public sector general insurance firms—New India Assurance, National Insurance and United India Insurance for Prime Minister Fasal BimaYojna (PMFBY).

Under the scheme, while AIC will use offices, manpower and rural reach of the three companies, it will offer 12.5 per cent of the premium collected to each of the three companies. This will help AIC reduce overhead cost, and give competitive advantage, said Rajeev Chaudhary, CMD (officiating), AIC.

At present, AIC accounts for nearly 50 per cent of the premium collected under PMFBY. Last year, its total premium collection was about Rs 7000 crore, and this year it expects to reach Rs 14000 crore,"AIC is a lean organization, but we are very much technically sound in terms of technical expertise and robust database. However, we lack infrastructure. Our cost of management is low, at around 2-3 per cent, whereas for other organizations, the management cost is around 25 per cent. Hence, we will use our expertise in premium collection, claim management and settlement, while using the infrastructure of other companies," said Chaudhary.

The PMFBY is based on actuarial calculations, and rates are based on risk perception. Thus, premiums differ, based on crops and regions. However, a farmer pays only a flat 2 per cent premium, the rest is provided by the central and state governments. On average, the premium comes to 12-15 per cent, with the state and central governments bearing 5 per cent each.

Over the last few years, technological challenges, especially for crop cutting experiments, have posed discrepancy in claim settlements.

"Technology will and is streamlining PMFBY implementation. Some technological innovations have already been initiated viz., PMFBY portal by the ministry of agriculture, which has eased enrollment under the scheme. Further, crop cutting experiments data is now being captured and transferred through mobile apps. However, there is no robust technological soluation for loss assessment till date, which is acceptable to all stakeholders," said Chaudhary.

(The writer is Namrata Acharya.)

TOP

Source

Govt. hoping to cover 25L farmers under PM's crop insurance scheme this year – The Hindu – 8th September 2019

The State Agriculture Department hopes to bring 25 lakh farmers under the Prime Minister's Crop Insurance Scheme — Pradhan MantriFasalBimaYojana (PMFBY) — this year.

Compared to the previous year, the targeted figure of the current year is only marginally higher. However, officials point to the general tendency of farmers to go for insurance cover only when they anticipate distress.

With the Cauvery in spate and several important irrigation reservoirs in a comfortable position, the urge for the insurance cover this year may not be as high as in a year of anticipated poor monsoon. Yet, the officials feel the target is achievable.

The first year (2016-17) of the implementation of PMFBY was one of drought, whereas the subsequent year (2017-18) was a "normal year". Last year, the northeast monsoon (October-December) had deficit rainfall but the damage due to Cyclone Gaja was far greater than that of the monsoon. With the authorities' drive for enrolment of farmers in the insurance scheme, the total figure for 2018-19 exceeded that of 2016-17.

A striking feature of the profile of the farmers who were covered under the insurance scheme was that the insured farmers were predominantly non-loanee agriculturists. In 2018-19, about four-fifths of the insured farmers belonged to this category, given the fact that ordinarily, those taking crop loans would automatically come under the insurance cover.

This had captured the attention of the Central government, and the Principal Secretary of the State Agriculture Department, Gagandeep Singh Bedi, explained, at a national conference in Guwahati recently, how the State had accomplished the coverage of non-loanee farmers.

Among the factors that facilitated Tamil Nadu's performance was the "timely sanction" by the State government of its share of the premium, which ranged from ₹ 566 crore in 2016-17 to ₹574 crore in 2018-19. This year, the government has set apart ₹635 crore, of which it has made an upfront payment of ₹7 crore.

Another aspect of the State's performance was the payment of large sums of compensation. Tamil Nadu stood first at the all-India level in this regard, Agriculture Minister R. Doraikannu told the Assembly a few months ago. The application of remote sensing came in handy in getting a claim of ₹400 crore sanctioned for farmers of Ramanathapuram district for 2017-18 following a dispute between the Department and the insurance company concerned.

Officials add that the payment of compensation is bound to go up for 2018-19 as the claims are being processed by insurance companies. In the next two months, the claims for samba paddy and pulses are expected to be cleared.

How Tamil Nadu fares on implementation of PM's crop insurance scheme

Year	Coverage (in lakh acres)	Farmers insured (in lakh)	Compensation paid (₹ crore)	Farmers who received compensation (in lakh)
2016-17	35.54	18.73	3,511	12.19
2017-18	31.71	15.18	1,814	8.53
2018-19	35.37	24.04	257.05	1.73
2019-20	45.5*	25*	Not applicable	Not applicable

* TARGETED

(The writer is T. Ramakrishnan.)

Source

TOP

MOTOR INSURANCE

Policy Lapsed? Purchase a new policy within 90 days of expiry or lose this benefit - Financial Express – 11th September 2019

Lapsed Insurance Policy: After the amendments in the Motor Vehicle Act 2019, the penalties for traffic violations have increased manifold. For someone not following one or more of the traffic rules, the financial setback could be heavy and may leave one short of a few thousand rupees. For two-wheeler or bike and car owners, driving without valid insurance papers, the penalty has been increased from Rs 1,000 to Rs 2,000. While driving, keep insurance record with you and if it has lapsed, ensure to renew it early, especially before the expiry of 90 days. Driving uninsured vehicle is an offence.

A policy is considered lapsed if the premium is not paid on or before the due date. There is no liability of the insurer once the insurance gets lapsed even by a few days and as per the government rules, one is not allowed to run the vehicle on the road unless the owner has at least the third-party insurance. Still, if the insurance of your car or bike has expired, you can still get the insurance done. The general insurance company cannot deny giving the insurance subject to conditions. "The vehicle can be insured till the validity of the registration of the vehicle," informs Anup Rau, Managing Director and Chief Executive Officer, Future Generali India Insurance Company.

Pre-insurance inspection

Once the two-wheeler insurance or car insurance policy has lapsed, reviving it may require pre-inspection by the insurer before reviving the policy. "Generally, insurance companies conduct pre-inspection prior to offering the same and approval of pre-inspection is subject to companies internal policy," says Animesh Das, Head of Product Strategy of ACKO General Insurance.

Renew lapsed two-wheeler insurance

"Insurance company will arrange the Pre-Inspection of the vehicle. And based on satisfactory or acceptable Pre-Inspection report, the vehicle can be accepted for Motor Package Policy Insurance along with the submission of other required documents," informs Roopam Asthana, CEO and Whole Time Director, Liberty General Insurance. The process will primarily depend on the internal policies of the insurer and at times it can be even revived online. "One can visit the website of the insurance company and schedule a pre-inspection for the same. If the pre-inspection is approved by the company, one can go ahead and purchase the same," says Das.

Bike insurance online

One can even go for two-wheeler insurance renewal online. "The vehicle can be insured online and no Inspection is required for Third Party Insurance, while for Own Damage cover the inspection may be required," says Arun Singh Bhadauria, Head – Motor, Agency, Retail Broking and Motor NTU, Universal Sompo General Insurance.

And, even if you are going for the bike insurance online, it may require pre-inspection of the vehicle. But, for a vehicle with lapsed insurance, will it require one to take the vehicle to the insurance company office or surveying can be done at one's residence? Here is the process of a few of them:

Future Generali India Insurance: Once you call our call centre and provide details, you will receive a web link on your mobile phone through text message. Using the same on your own mobile phone, one can do self-inspection of the vehicle and submit it online.

ACKO General Insurance: Pre-inspection is at the owner's residence or the declared location and the same is done on the same day if the manpower is available. The pre-inspection is waived off if the lapsed period is less than 10 days.

Liberty General Insurance: The inspection of a vehicle with lapsed insurance can be done at the insured vehicle's registered address. It is not required to take the vehicle at the insurer's nearest branch office.

Universal Sompo General Insurance: The Inspection can be done at residence or place of work of the insured. There is facility for self -inspection also where the Insurance Company can share a link to the customer and Insurer may conduct the Pre-inspection by self and submit to company.

Third party insurance for two wheeler

At the time of reviving a lapsed insurance policy for an uninsured vehicle, you have the option to get either only a third-party (TP) cover or get a comprehensive cover that will include Own Damage (OD) cover also. "One can opt for standalone third-party insurance for the vehicle, which will cover third-party death or injury or property damage. But it is advisable to take a comprehensive insurance policy which will cover the Own Damage risk of the vehicle as well," suggests Asthana. While going for the OD cover, the age of the vehicle becomes important. "For Own Damage for deciding terms and conditions the age of vehicle is an important criteria," says Bhadauria.

Insurance NCB – Buy within 90 days

If you already had a comprehensive cover before your policy got lapsed and you also had a no-claim bonus (NCB) accrued on it, it's better to go for an Own Damage cover while reviving it. Remember, the NCB on your policy is only on the OD portion and not on the 3rd party insurance portion. "If the new policy is purchased within 90 days of expiry, NCB benefits will be extended. Else NCB will lapse," informs Rau.

Auctioning of uninsured vehicles

In addition to the heavy penalties, driving an uninsured vehicle can get your vehicle impounded and auctioned. In the case of uninsured vehicles, there is a 2018 supreme court ruling to make owners of uninsured vehicles to pay for victim's compensation even by auctioning of the vehicle. "Rules have to be framed by the respective State Governments. Only some States like Delhi have such rules in effect as on date," informs Asthana.

(The writer is Sunil Dhawan.)

TOP

Source

Driving Without Insurance? Penalty doubled to Rs 2,000; here is how to get bike insurance online - Financial Express – 10th September 2019

Motor Vehicles Act 2019: The Motor Vehicles (Amendment) Act 2019 or the Motor Vehicles Act 2019 that has come into effect on September 1, 2019, has turned the wheels of most owners of two-wheelers towards insurance companies. Those who were plying un-insured vehicles are reaching out to insurance companies to get their bikes insured. Getting two-wheeler insurance is not a difficult and time-consuming task either. One may go for two-wheeler insurance online or two-wheeler insurance renewal online too. For third-party insurance, two-wheeler insurance rate is the same for online or by visiting a branch office of a general insurance company.

The new Act tightens the rules and road-traffic regulations like issuance of driving license and prescribes stricter penalties for violations. According to Gurneesh Khurana, President & Country Head – Motor Business, Bajaj Allianz General Insurance, " It is estimated that more than 70 per cent of the 2 wheelers plying on the Indian roads are uninsured. It is primarily due to unawareness about its importance and few of them purchase it only for the reason that it's mandatory by law, others due to negligence remain uncovered to the adversities that they may face in case their 2-wheeler causes damage to a third party, the liability of which as of now is unlimited and can run into crores."

To avoid getting caught by the traffic department, a two-wheeler owner should at least have a Third Party Liability insurance, which is compulsory insurance before playing the vehicle on the roads. In the absence of Third Party insurance, the amount of fine itself has doubled. "As per the new Motor Vehicles Act, the penalty for not having Third Party Liability insurance has doubled from Rs. 1,000 to Rs. 2,000. Hence, it is wise to opt for insurance where the premium rates for 2 wheelers are comparatively low and one can rather opt for insurance than pay fine," says Khurana.

According to Digit Insurance, a general insurance company, there is big rise in the demand for insurance policies over the previous month – "Certain states saw a significant jump in policies with Delhi being first on the list with 1371 per cent (highest) followed by Jharkhand- 818 per cent, Odisha- 719 per cent Chhattisgarh – 679 per cent and Kerala – 660 , respectively. Other states that saw a significant rise are Uttarakhand- 649 per cent, Haryana – 478 per cent, Meghalaya – 450% , Bihar – 388 per cent, Andaman and Nicobar -338 per cent, Assam – 300 per cent, UP – 298 per cent, Himachal Pradesh -235 per cent and Chandigarh – 224 per cent."

For buying or renewing bike insurance online, you may visit few online websites of insurers and insurance aggregators and use the two wheeler insurance premium calculator to find premium for 'One Damage' cover as well. It is always better to have a comprehensive policy that includes Third Party insurance and One Damage cover as well.

Know the new bike insurance details

For new bikes purchased after September 1, 2018 (registration date) , the third-party premium has to be paid upfront for 5 years. The own-damage (OD) premium may still be paid on an annual basis. Under a Long Term, Comprehensive Policy both TP and OD coverage is for 5 years. Here the premium is also collected for 5 years and policy renewal will come into question only after 5 years when the policy is about to expire.

IRDAI had already enhanced the coverage for the personal accident from Rs 1 lakh to Rs 15 lakh. This rule will apply even to the existing owners. While, earlier the annual premium of Rs 50 was to be paid for a cover of Rs 1 lakh, now the annual premium will be Rs 750 for a cover of Rs 15 lakh. Further, insurers cannot force owners to take a long term PAC and hence one may buy a one-year PAC as well. As a relief, effective January 1, 2019, IRDAI has unbundled the compulsory personal accident cover and permitted the issuance of a stand-alone policy. So, effectively, one need not pay for PAC again if he or she has a PAC of at least Rs 15 lakh bought from same or any other insurance company.

(The writer is Sunil Dhawan.)

Source

TOP

When not to file a car insurance claim - The Hindu Business Line – 9th September 2019

Accidents can occur any time, anywhere. And, when it is about mishaps related to cars, the insurance cover comes to mind. Making an insurance claim after an accident can strip one of the benefits of the no-claim bonus (NCB) accrued on the motor cover.

It is not mandatory to file a claim and one should see how much benefit will be lost if a claim is filed. Whether to file a claim or not depends largely on four important factors — quantum of loss, impact on NCB, applicable deductibles, and future premiums. Most industry experts advice against filing a claim for smaller amounts. Here is why.

Avoid small claims

NCB is a discount normally given by insurers on the renewal premium at the end of a claim-free year. It starts at 20 per cent at the end of the first claim-free year and increases steadily with every claim-free year to a maximum of 50 per cent.

Even if a single claim is made, the NCB goes back to zero, which is another reason for not making small claims. Further, most car insurance policies specify an amount called deductible or excess, which is the portion of any claim amount that the insured will have to compulsorily bear. In case of a claim, only the balance after subtracting the deductible amount is payable, subject to other deductions such as depreciation etc.

Thus, it is pointless to claim small amounts which are close to or less than the deductible amount specified in your car insurance policy, as you would gain little to nothing. Consider an example. Assume that your policy has a deductible of Rs. 2,000 and the NCB discount works out to Rs. 6,000. If you make a claim of, say, Rs. 4,000, you will have to pay Rs. 2,000 of the claim bill yourself and lose the NCB discount of Rs. 6,000.

Here, it makes monetary sense to make a claim only if the claim amount is well over Rs. 8,000, say Rs. 13,000 plus. This is because the outgo from your pocket plus loss of NCB discount would equal Rs. 8,000. So, work out the numbers and decide what you should do.

Avoid frequent claims

Further, filing insurance claims frequently can affect the claim history of the insured.

The quantum of increase in renewal premium rate that may result from repetitive claims depends on the nature of the claims and varies from insurer to insurer.

Here, the nature of the claim refers to whether the damage to the car is your fault or someone else's (third-party). If someone hits your car from behind, prompting you to file a claim, your rates are unlikely to be raised in normal circumstances.

However, if the fault is yours and such claims are frequent, then it would probably be difficult for you to escape a rate hike.

If an accident is due to the fault of a third-party, the NCB on your policy is not impacted.

So, while doing your calculations, remember that the NCB discount is only given on the 'Own Damage' portion of the total premium and not on the 'Liability' portion.

Therefore, it is ideal to make a claim only in the event of a big loss and avoid filing it in case of little mishaps, such as a minor dent on the bumper or the body of your car. Discussing the claim with your insurance agent before filing also helps.

(The writer is Sajja Praveen Chowdary.)

Source

TOP

Motor cover renewals up 6 xs on fines – The Economic Times – 9th September 2019

As traffic violators start paying hefty penalties under the new Motor Vehicles Act 2019, renewal of vehicle insurance policies has a seen an increase of more than 50% in the last few days. In some cases, growth has surged as much as six times.

"We are experiencing an average increase of 3-4 times in insurance renewal enquiries for old vehicles. Consumers are definitely taking cognizance of the motor vehicles act amendments and wanting to comply with the same. The encouraging part is to see traffic from both online and offline distribution platforms," said Sanjay Datta, head (underwriting and claims) at ICICI Lombard General Insurance, the largest private insurer.

Policybazaar.com has seen its two-wheeler policy renewals going up from 10,000 per day to 60,000 in the last one week, while the renewal run rate among car owners has gone up by more than 70% from 3,500 per day to 6,000 per day. "At this rate, we expect to hit 1 lakh policy renewals per day by the end of next week," Sajja Praveen Chowdary, business head of motor insurance at Policybazaar.com, said.

"Earlier, out of 100 visitors looking to renew their policies on our website, about 60% of two-wheeler customers held an expired policy, while the figure for car customers was 30%. However, in the last four days, such applications went up to 87% among bike owners and 52% for cars," Chowdary said.

"With time, we are sure that the amended motor vehicles act would help in converting the large uninsured base in our country," Gurneesh Khurana, head of motor business at Bajaj Allianz General Insurance, said. The insurer has recorded an increase of approximately 60% in the renewals of motor cover policies among bikers in the last few days.

Under the new provisions, driving an uninsured vehicle will lead to a fine of Rs 2,000 and/or imprisonment up to three months for the first offence, and a fine of Rs 4,000 and/or imprisonment up to three months for the second offence. Earlier, a penalty of Rs 1,000 and/or punishment up to three months was levied on the same default. Industry estimates suggest that motor insurance penetration among vehicle owners stands at 35-40% for twowheeler segment, 65-70% for passenger cars and 85% for commercial vehicles.

(The writer is Mamtha Asokan.)

[TOP](#)

Source

Motor Vehicles Act 2019: Renewing your motor insurance policy? First, make sure it is not fake - Financial Express – 9th September 2019

After the implementation of the new Motor Vehicles Act 2019, violators of traffic rules are being charged with hefty penalties. Because of which in the last few days, according to motor insurers, renewal of motor insurance policies has seen a surge. People have started to take the Motor Vehicles Act amendments seriously and are complying with the same.

Animesh Das, Head of Product Strategy – ACKO General Insurance, says, "With the implementation of the amended Motor Vehicle Act, people are now voluntarily coming in and renewing their policies on our website. We have seen a 600 per cent rise in issuance of two-wheeler insurance policies in the past few days."

Under the new provisions, the penalty for driving an uninsured vehicle has been revised. Earlier, for driving an uninsured vehicle a penalty of Rs 1000 and/or punishment up to three months was levied. However, with the new regulations, violators will be charged a fine ranging between Rs 2000 to Rs 4000 and/or imprisonment up to 3 months. Hence, experts believe, the number of new insurance policies and renewal of old policies will increase significantly.

However, while opting for a policy beware of fake policies. It might also be the case that the auto insurance policy you have bought recently may be fake. Wherein, any claims arising from it won't be honored. Not only in India but all around the world fraud cases in the insurance industry have been rising and have become a cause of concern. Around 1-2 per cent of the total vehicle insurance policies, according to industry estimates, are fake in India. Hence, while buying an insurance policy, try to either buy it directly from the insurance company or from a reliable aggregator.

Here is how to find out how to spot a fake policy and avoid buying it:
Buy it through credible resources. Just to get the policy at a cheaper price or bag in some discount while buying the policy, don't pick up a policy from anywhere. As just by looking at the policy you most probably will not be able to tell the genuineness of the policy. To avoid this, experts suggest policyholders should try to get a policy from a renowned and credible resource.

The way you make the payment also plays a big role, hence try to make the payment either through online or through a cheque. You can make the payment through a cheque if you are buying a policy offline. This way you will know the credibility of the company as the cheque has to be made in favor of the insurance company. Mainly, avoid paying in cash, which will cut down the risk of getting hold of a fake insurance policy.

Using the verification link, mentioned on the website of the insured, you can also verify your policy. Visit the insurer's website and use the verification link to validate your motor insurance policy. You can also get in touch with the customer care to verify the details of the policy.

Before buying the policy, make sure that the policy is from one of the accepted general insurance companies in India. You can check the policy's existence on the IRDAI website. On the insurance regulator's website, you can find out about all the licensed entities along with their details. Also, if it's not much of a difference, try to buy the policy from the insurer directly.

Fraudsters and scamsters copy even the minute details of the insurance company. Hence, it is not easy to check the genuineness of the policy. To make sure, tech-savvy people can use the QR Code, to verify their policy. Generally, there is a printed QR code on the vehicle insurance policy. Scanning this could help you verify the authenticity of the insurance policy. Using a smartphone and a QR code reading app, you can scan this code. If it authenticates, it should lead you to the details of your policy.

***(The writer is Priyadarshini Maji*.)**

TOP

Source

Motor Vehicles Act impact: To avoid new harsh fines, vehicle owners rush to buy insurance - The Hindu Business Line – 9th September 2019

After the new Motor Vehicles Act, motor insurance policies are selling like hot cakes. Given that about 60 per cent of the vehicles on Indian roads are uninsured, despite it being mandatory to buy third-party motor insurance, the new Act is bringing the right change.

The Act, that came into effect on September 1, has increased penalties for driving errors. The law has increased the penalty for driving an uninsured vehicle from ₹1,000 to ₹2,000 and/or imprisonment up to 3 months, for the first offence and fine of ₹4,000 and/or imprisonment up to 3 months for the second offence.

Two-wheeler and car owners are now been rushing to get their lapsed policies renewed to avoid burning a hole in their pocket. *Policybazaar.com*, an online insurance aggregator, has seen the overall share of two-wheeler insurance policy sales jump by seven times, and the share of four-wheeler policy sales increase by three times in the first week of the new Act.

Sajja Praveen Chowdary, Business Head, Motor Insurance, *Policybazaar.com*, said, “The share of policies being sold to consumers with lapsed plans has grown significantly in the last one week. In two-wheelers, Delhi, Karnataka, UP and Maharashtra have seen the highest jump in renewals.”

In Delhi, the share of expired policies getting renewed has jumped from 64 per cent to 94 per cent. Karnataka witnessed the second highest growth in the country, with the share of expired policies getting renewed rising from 65 per cent to 85 per cent. In four-wheeler insurance, the highest growth in lapsed policy renewal has been witnessed in UP. The share of lapsed policies getting renewed in the last week, has increased from 34 per cent to 73 per cent. Delhi, saw a jump from 44 per cent to 79 per cent.

(The writer is Rajalakshmi Nirmal.)

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Source

Car insurance coverage for road trip enthusiasts: The finer points - Financial Express – 9th September 2019

There are people who drive a car within a limited radius and there are explorers who like to wander about with the help of their four-wheeled friend. If you are one of the adventurous types who like to venture out on a road trip on a frequent basis, you must insure your car keeping that in mind.

A road trip is exciting but it can be terrifying as well. Things can go wrong in an instant. Your car insurance plan should be wide-ranging and tailored to your requirements so that you stay financially secured in case of car-related mishaps during the journey. Read ahead to know more about the kind of car insurance you should purchase if you are a road trip enthusiast.

1. Go Comprehensive!

You must be aware that it is mandatory to insure your car with at least a Third-party Liability policy. However, such a basic policy does not offer all-round insurance coverage, especially during a road trip. Thus, it is suggested to opt for a Comprehensive car insurance policy as it offers own damage cover, fire and theft insurance, and financial protection against listed man-made and natural disasters.

You will stay on the right side of the law with a Comprehensive plan as it includes the mandatory Third-party cover. Besides, it will also make you eligible to purchase a host of Add-ons that can help you customize your car insurance cover and strengthen it for extensive road trip coverage.

2. Add-on Covers for Road Trips

Add-ons come at an extra cost but they also offer extra insurance cover. They lend a touch of personalization to the otherwise generic Comprehensive plans. Here's a list of Add-ons to consider if your annual calendar is blocked for frequent road trips.

Roadside Assistance

Roadside Assistance Add-on is designed to bail you out of car trouble. Imagine you are in an unknown, secluded locality and your car breaks down! Whom will you contact? Who will help you out? What will happen to your trip?

With Roadside Assistance, the insurance company will swoop in and handle your situation. All you have to do is inform them about the car breakdown. They might send a mechanic to the breakdown spot or tow your vehicle to the nearest garage. In some cases, insurers also arrange for alternative transport or accommodation.

Passenger Cover

Road trips are dangerous than regular in-city drives. Thus, the passengers are also at risk of getting terribly injured in case of a car accident. The owner/driver of a car gets a Personal Accident cover of Rs. 15 lakhs with a car insurance policy. But if you want such a cover for the passengers, you will have to purchase an Add-on.

Passenger Cover Add-on is like a personal accident cover for your fellow travelers seated in the insured vehicle. Road trips often involve a bunch of friends/colleagues/relatives travelling together, thus such a cover can come in handy.

Personal Belonging Cover

Nowadays, it is difficult to travel without our digital darlings: mobile phone, laptop, etc. Connectivity-based gadgets are delicate and they can be easily damaged in a car accident. A Personal Belonging cover insures such gadgets in case they are a part of an unfortunate mishap.

Zero Depreciation

This Add-on is for all seasons provided your car is under five years of age. It is helpful for road trip enthusiasts as the car is more vulnerable to getting damaged during a long trip.

Car parts tend to depreciate in value over a period of time. Insurance companies consider this fact while settling claims by deducting the depreciation amount of the part in question while paying money for repairing/replacing it.

A Zero Depreciation Add-on doesn't factor-in the depreciation charges while settling claims. Thus, you get a higher amount of claim money than you would get in case you did not have such a cover.

Review and Renew

A car insurance policy needs to be renewed to keep it active. It is good to renew your policy around ten days before the expiry date so that you get ample time to review the policy and make any changes if necessary.

If you have made any aesthetic or performance-related modifications to your car during the previous policy period, make it a point to disclose them to your insurer.

Also, consider going for a long-term Comprehensive car insurance plan with suitable Add-ons to stay insured against major car-related perils.

You can browse your favorite car insurance company's website and find out a suitable plan. Do not buy a plan without understanding the terms and conditions, and inclusions and exclusions. Going through the policy wordings of your selected plan will help in this regard.

If you face any hurdles in understanding the plan or during the purchase journey, feel free to reach out to the insurer's support team. They will resolve your queries and help you make an informed decision.

(The writer is Animesh Das.)

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Source

Soon, traffic violations could lead to an increase in motor insurance premiums - The Hindu Business Line – 9th September 2019

You may soon have to pay more motor insurance premium if you violate traffic rules as insurance regulator IRDAI has set up a nine-member working group to examine a system of linking of motor insurance premiums with traffic violations.

The working group, which has to submit its report in two months, is headed by Anurag Rastogi, chief actuary and chief underwriting officer, HDFC ERGO.

The terms of reference of the working group are:

- To recommend implementation framework and methodology to link insurance premium with traffic violations.
- To study international practices on the above subject and recommend best practices suitable to India.
- To evaluate the current point system for traffic violations implemented by states and evolve standard point system considering each traffic violations.
- To develop data fields required to implement traffic violations as rating factor in motor insurance.
- To suggest system of access to traffic violation history data of each vehicle and transfer of data from enforcement authorities to IIBI database.
- To suggest modalities for carrying out an immediate pilot project at NCT of Delhi.

The IRDAI feels that linking insurance premium to traffic violations committed could reduce road accidents and change driver behaviour. Insurance companies have been tasked to run pilot projects in Delhi to implement the premium escalation formula, according to an order issued by IRDAI.

Any such move of linking motor insurance premium with traffic violations will be a setback for bad drivers, who are recently faced with higher penalties for traffic violations. From September 1, traffic violations attract higher penalties as per the recent amendments to the Motor Vehicle Act.

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Source

Insurance companies report boom in business after new, strict traffic rules - Business Standard – 8th September 2019

Stringent punishment proposed under the new Motor Vehicles Act might have made car owners frown but insurance companies are laughing all the way to the bank. There has been an uptake in sale of motor insurance thanks to the new regulations.

The new Motor Vehicles Act came into effect on September 1. It has enhanced penalties for various driving errors.

According to the new law, if a vehicle is on the road without insurance, then a fine of Rs 2,000 and imprisonment of up to three months can be imposed for the first offence. For subsequent offences, a fine of Rs 4,000 and imprisonment up to three months can be imposed.

This has resulted in people renewing their lapsed policies. Digital insurance companies are the ones who are benefiting the most from this.

The process of renewal of a lapsed policy is quicker and completely digital. Hence, the customers can renew their policies in no time so that they do not have to bear the brunt of the heavy fines. Renewal of motor insurance policies in the two-wheeler segment is really low, as compared to four-wheeler.

“With the new regulations, people are now voluntarily coming in and renewing their policies. We have seen a rise of 300 per cent in issuance of two-wheeler insurance policies in the past few days since the new regulations kicked in,” said Jasleen Kohli, chief distribution officer, Digit Insurance.

Insurance companies expect the new regulations to bridge the gap between insured and un-insured vehicles significantly.

Sajja Praveen Chowdary, business head, motor insurance, PolicyBazaar.com, said, “Since the implementation of the amended Motor Vehicle Act, our online motor insurance sales has grown by more than 500 per cent in five days.

“We are now selling about 67,000 insurance policies per day on our platform. “The share of policies being sold to consumers with lapsed plans has grown by nearly 50 per cent, as they look for protection against new penalties.”

Subramanyam Brahmajosyula, head, underwriting and reinsurance, SBI General Insurance, said, “With the steep increase in fines imposed for driving vehicles without insurance, we expect to see an increase in motor insurance sales in the coming days and weeks for cover for vehicles whose insurance has lapsed.”

Experts believe that this trend will sustain and it is not just a momentary spike because the new regulations have only been implemented in a few states. When it is implemented in more states, the business will only grow.

“More and more people will start to renew their policies and get their vehicles insured,” added Kohli. This will certainly help the motor insurance segment a lot as growth in the segment was at its lowest in the June quarter owing to the slowdown in the auto sector. The Insurance Regulatory and Development Authority of India (Irdai) is contemplating linking insurance premiums to traffic violations committed.

They have formed a working committee to recommend the framework and methodology to link insurance premiums with traffic violations. “It is perceived that linking insurance premium to traffic violations committed could reduce road accidents and change driver behavior,” said Irdai.

(The writer is Subrata Panda.)

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Insurance sector projected to be worth USD 280 billion by 2020-2021, says report – UNI – 12th September 2019

Indian Insurance sector, the world's 15th largest, is projected to be worth USD 280 billion by 2020-2021, according to a report here.

Contributing factors include government impetus, economic growth, rising disposable income, and relaxation in regulatory norms. Digitalisation and InsurTech, such as IoT, Machine Learning, Artificial Intelligence, Robo Advisers, and Block chain have contributed to lower costs, customer awareness, transparency, and reduced false selling.

In 2017, insurance penetration in India was 3.69 per cent, against 5.62 per cent in Asia and 6.13 per cent globally, according to a report of Alea Consulting.

FY 18 saw the Indian Insurance sector grow at 12 per cent to 15 per cent. The segment has seen challenges of pricing, claim settlement and reduced uptake of the insurance cover causing a drop in the growth rate.

The Indian Insurance sector, the world's 15th largest, is projected to be worth USD 280 billion by 2020-2021 and is well poised to form part of top 20 insurer markets in the coming years.

However, the government is not discouraged by its result and is continuing its focus to ensure insurance protection to a wider audience. The launch of the Ayushman Bharat - National Health Insurance Mission is expected to increase the insurance market by at least Rs 10,000 crore in the starting of FY 19.

Besides the growth, the insurance industry has also witnessed an increase in the number of fraud cases over the last couple of years. A growing number of organisations are recognising the fact that frauds are driving up the overall costs of insurers and premiums for policyholders, which may threaten their viability and also have a bearing on their profitability. To mitigate these risks, detailed framework of insurance fraud monitoring and due diligence measures are necessary.

In 1956, Life Insurance was nationalised as Life Insurance Corporation (LIC). In 1973, General Insurance was nationalised under four state owned entities. In 2000, General Insurance Corporation of India (GIC) was converted into a National Re-insurer and the Government permitted foreign investment up to 26 per cent and raised it to 49 per cent in 2015. The Union Budget proposed in 2019, permits 100 per cent FDI for Insurance Intermediaries.

In May 2019, IRDA created a regulatory sandbox to experiment with InsurTech within the regulatory guidelines. In 2017, the Government approved disinvestment up to 25 percent in state owned insurance companies, and divested 12.5 per cent stake in GIC and 11.65 per cent in New India Assurance Co. and IRDAI allowed private equity investors to be promoters in unlisted insurance companies.

Between 2016 and 2018, India's digital consumer base was the world's second largest and 2nd most targeted by cyber-attacks. While insurance companies like Tata AIG, ICICI Lombard, Bajaj Allianz, and HDFC Ergo have introduced products in Cyber Insurance, it is still at a nascent stage.

In 2017, IRDA mandated insurance companies and insurance intermediaries to set up an Insurance Self-Network Platform (ISNP) with IRDA to sell and service policies through e-commerce.

BSE has proposed Insurance Distribution Exchange, which is pending IRDA's approval. If approved, stockbrokers registered with BSE will be able to distribute insurance products through the exchange.

Insurance companies are collating data on frauds. The Government notified a Money-Laundering (Maintenance of Records) Second Amendment Rules, 2017 under which linking existing policies to

Aadhar and PAN/Form 60 is mandatory to avail insurance. To curb false trading, IRDA has prescribed a limit on the commission paid by the insurance companies to agents or brokers. An insurance cover of Rs 1,00,000 is provided under the Jan Dhan Yojana. The scheme has 360 million beneficiaries with Rs.1 trillion in beneficiary accounts.

Ayushman Bharat Yojana provides insurance cover of Rs 500,000 for cashless treatment to 100 million BPL families at a nominal premium of Rs.100 per month. The scheme has more than 15,000 empanelled hospitals that have treated about 2.6 million people from 346 million enlisted beneficiaries.

For Crop Insurance, Government offers Pradhan MantriFasalBimaYojana, National Crop Insurance Program, Restructured Weather based Crop Insurance Scheme and Unified Package Insurance Scheme.

To hedge against increasing risks of natural catastrophes including climate change, cybercrime and terrorism, insurance companies require higher levels of reinsurance. Like other countries, India wants to retain most of reinsurance business for the ease of administration. GIC, the only Indian.

Reinsurance company, had a monopoly until 2017, when the Insurance Law (Amendment) Act, 2015 facilitated entry of Foreign Reinsurers through branches. In 2018, IRDA scrapped the First Right of Preference given to Indian Reinsurers and retained their First Right of Refusal in reinsurance contracts. This has led to greater opportunities for foreign reinsurers as Indian insurance companies can seek quotations from other reinsurers besides GIC.

A rising middle-income group, increased FDI and greater public awareness are favouring the growth of the sector. Innovations in Insur-Tech are contributing to expand distribution and offer customized products. With the Digital India initiative, Microinsurance has potential. To seek investments, the Union Budget 2019 has proposed to increase the minimum public share in listed companies from 25 per cent at 35percent.

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Insurance digital premiums a $37 bn market by 2025: JM Fin - The Weekend Leader – 10th September 2019

Online insurance sales for new business, which are in a nascent stage in the country, are fast catching up and are likely to grow at a CAGR of 13 per cent to become a Rs 2.6 trillion ($37 billion) opportunity by 2025, according to a recent report by JM Financial.

The report said the market size of online insurance business in India is currently pegged at Rs 1.1 trillion ($15 billion). While a major proportion of online sales will come from life insurance renewal premiums (estimated at 94 per cent in FY19), digital sales of non-life insurance policies are gaining traction and may impact volumes more than the value, as ticket sizes are relatively small, the report points out.

Interestingly, the share of life insurance (renewal) premium in the digital premium space will come down to 85 per cent in FY25 from 94 per cent in FY19 while the share of motor insurance will go up to 5 per cent from 3 per cent, life - new business premium (NBP) to 4 per cent from 3 per cent, others and health insurance will go up to 3 per cent and 2 per cent, respectively from 1 per cent each between FY19 and FY25, the study estimates.

With insurance market moving online form offline, the commission generated by on-line insurance aggregators are expected to touch Rs 38.5 billion by 2025, according to the research report by JM Financial.

The main beneficiaries of the digital shift in the insurance premium space will be the aggregators and banks as the commissions generated for selling insurance products on-line will grow substantially with the growth in volume.

The report estimates that the market for commissions will post a CAGR of 34 per cent from an estimated Rs 8.4 billion ($120 million) in FY19 to $690 million by FY25. This growth is likely to come from the increasing share of online policy distribution by web aggregators, taking the web aggregator market from an estimated Rs 4.5bn ($65 million) in FY19 to Rs 38.5 billion ($550 million) by FY25F growing at a CAGR of 43 per cent.

The insurance under-penetration in India gives immense potential for the digital premium market. Globally, India had one of the highest insurance 'protection gap' as of 2014 as well as amongst the lowest insurance density (in 2018) in both the life and non-life sectors - at $54 and $18, respectively while the world average is $370 and $312, respectively. While life insurance penetration in India at 2.7 per cent of GDP (as of 2018) is lower than global average (3.3 per cent of GDP), it's better than that of China and Brazil. However, penetration is particularly low in the non-life insurance segment which stands at 1 per cent whereas the world average is 2.8 per cent of GDP.

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INSURANCE CASES

Ship Sinking: After a 23 year-old long battle over insurance claim, vessel owner gets relief from NCDRC - Live Law – 9th September 2019

After a rather long struggle over an insurance claim, the NCDRC has directed the National Insurance Co. Ltd. (Insurer) to pay the principal insured amount of Rs. 1.2 cr. plus interest, to the owner of an insured ship vessel. The vessel sank in Oman in 1996 after meeting with an accident, but the crew members on it survived.

The order came on a complaint filed by Smt. Kesharben, who owned the vessel in question, named 'M.S.V. Chamstar'. Kesharben got the vessel insured with National Insurance Co. for a period of one year in 1996.

It was the case of Kesharben that, the vessel met with an accident with the sea rock and sank at Khasab, Oman on the night of 10th April, 1996, while returning from Dubai to Mumbai. At the time the vessel sank, it reportedly had 19 crew members on board.

As per the complaint, on sinking of the vessel, all the crew members boarded a boat, were arrested by Oman Navy and kept in jail till their release was arranged, and then were later repatriated to India.

When National Insurance Co. was intimated of the incident of sinking, it appointed various surveyors to investigate the veracity of the loss. However, none of the surveyors explicitly confirmed the sinking, and the manner of sinking of the vessel, in their reports.

On receipt of the surveyors' reports, the insurance company repudiated Kesharben's claim in 2004. The ground taken for rejecting the claim was the lack of substantial evidence in support of the claim of the alleged sinking. The insurer particularly pointed out that not lodging a 'note of Protest' before the Indian Counsel at Oman, and the lack of a relevant Port Clearance Certificate (PCC), further weakened the claim.

The NCDRC observed that the primary question to be dealt with in the complaint was, as to whether the vessel had actually sunk near Oman.

A letter written by the Coast Guard Police Division, of Oman, to a representative of M/s. Webster & Co. (one of the appointed surveyors), was placed before the NCDRC Bench. As per this letter, the Royal Navy of Oman reported that a vessel with 19 Indian crew members, bound for Bombay, had indeed hit a semi-submerged rock and subsequently sunk later.

On perusal of the records placed before the Bench, the NCDRC was of the view it was proven, even beyond preponderance of probabilities that, the vessel named 'Chamstar' had actually sunk near Oman.

With regard to not producing certain documents, the Bench observed that the "Note of Protest" could not be lodged because the crew members were detailed by the Police in Oman for four days. Furthermore, the PCC could not be submitted as it was lost when the vessel sank.

As a result of the observations, National Insurance Co. was ordered to pay interest as compensation @9% on principal amount, calculated from 1st Feb, 2003, as per Regulation 9 of the IRDA (Protection of Policyholders Interests) Regulations 2002.

Regulation 9 of the IRDA Regulations gives a maximum period of 9 months to an insurer to take a decision on the claim lodged by an insured.

(The writer is Arunima Bhattacharjee.)

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PENSION

PPF, other small savings schemes set for interest rate cut – Mint – 12th September 2019

The interest rate on popular Public Provident Fund (PPF) and other small savings schemes are set for a downward revision. The interest rate of small savings schemes, including that of PPF, Senior Citizens Savings Scheme and girl child savings schemes Sukanya Samriddhi account, are revised every quarter, depending on government bond yields. With overall interest rate on a downward trajectory and banks revising their fixed deposit schemes lower, analysts expect that small savings schemes are set for an interest rate cut.

This month-end, the government will decide on the interest rate of small savings schemes for the October to December quarter. For the current July-September quarter, the government had lowered interest rates of PPF and other small savings schemes by 10 basis points.

"We are seeing cost of money falling globally as well as in India. We expect more cuts in deposit and lending rates in India," said Sanjiv Bhasin, executive vice-president at IIFL.

For the current quarter July-September quarter, PPF and National Savings Certificate (NSC) are yielding 7.9% annual interest while KVP 7.6%. The girl child savings scheme Sukanya Samriddhi account is fetching 8.4% while the five-year Senior Citizens Savings Scheme 8.6%.

So far this year, the Reserve Bank of India or RBI has cut its repo rate by 110 basis points and analysts expect that the central bank could go for multiple cuts this fiscal to spur growth amid a benign inflation regime.

However, some analysts don't expect a big cut in small savings rate given the sensitivities involved in small saving schemes.

Analysts also expect bank fixed deposit or FD rates also to trend lower given slow credit growth. "With slower growth leading to gradual reduction converge between deposit and loan growth, the pressure to keep deposit rates high has reduced," Kotak Securities said in a note.

Nitin Aggarwal, banking analyst at Motilal Oswal Securities, says term deposit rates are likely to moderate further. "Banks can also revise down their savings rate as SBI has already linked savings account rate with balances of more than ₹1 lakh to repo rate and thus the difference between two set of savings account rates has widened significantly.

From October 1, the RBI has asked banks to move to a new loan regime, linking their lending rates on new floating rate home and auto loans to external benchmarks.

The deposit rates of banks have to fall for banks if lending rates have to be linked to external benchmarks like RBI's repo rate, said Mr Bhasin of IIFL added.

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High PF cut seen aiding consumption slowdown - Financial Chronicle – 9th September 2019

The slowdown in economic growth, accelerated by the deep contraction in consumer discretionary spending, has been complicated by the higher provident fund (PF) deduction, which has reduced the take-home salary of employees from April this year. The increase in PF deduction, though beneficial for employees in the long-run, is leaving less money in their hands for discretionary spending and investment.

The deduction in take-home salary is coming at a time when white-collar wages in the private sector have stagnated, with no or paltry increments being added to their wages in the last few years. In many segments, white-collar wages have degrown in real terms, as pointed out by Prashant Jain, Chief Investment Officer of HDFC Asset Management Co, in a recent interview.

It is observed that salaried persons at the bottom of the pyramid in stressed sectors like telecom, airline, real estate, banking—especially public sector banks—and financial services have seen low or no increment in their salaries during the last two to five-year period.

The Supreme Court, on February 28, 2019, ruled that employers cannot segregate special allowances from basic wages for the purpose of calculating PF contribution.

"This is a very important judgement, as it impacts cost to companies (employers) and take-home salary of employees," said Ramesh L Soni, a management consultant and labour laws adviser.

As a result from April, the first month of the new fiscal year, salaried persons are receiving lower take home salaries and their PF contribution has gone up by almost 100 per cent in some cases because of their salary having a higher special allowance component," he said.

Rahul Mantri, Co-Founder and Chief Financial Planner, Midas touch, a Pune-based certified financial planner, said, “People are not complaining as they will benefit at the time of retirement, but it impacts those whose salaries are neck and neck with their monthly budget because of home loan and other EMIs.”

Salaries at the bottom of the pyramid in some companies are rising at a feeble rate of 3 to 4 per cent. Employers are resisting any increase in the cost-to company (CTC) of this segment, as 50 per cent of employees are at the junior level. Salary hike at the top level, which constitutes a relatively small percentage, would actually cost a company much less.

As a result, the growth in private consumption expenditure, the backbone of India’s economic growth, has nosedived to an 18-quarter low of 3.1 per cent in the June 2019 quarter from 7.2 per cent in the previous March quarter and 7.3 per cent a year ago.

Devendra Panth, Chief Economist, India Ratings and Research, said falling household saving is a key challenge for the eco-nomy and is leading to structural growth slowdown.

As such, household’s savings has been on a steady decline. The latest Economic Survey shows household savings declined from 23.6 per cent in FY12 to 16.3 per cent in FY18. The higher PF deduction is expected accelerate this trend.

(The writer is Ravi Ranjan Prasad.)

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IRDAI CIRCULAR

New Business Statement of Life Insurers for the Period ended ended 31st August, 2019 (Premium & Sum Assured in Rs.Crore).

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GLOBAL NEWS

China: Regulator caps investment by insurers in their shareholders – Asia Insurance Review

China's insurance regulator has capped how much insurance firms can invest in their shareholders, in a move aimed at curbing risks in the sector, reported Reuters.

Under the revised rules, which took effect on 9 September, an insurance company's combined investments in its shareholders or their related parties must not exceed 30% of the insurer's total assets or net assets in the previous year, the CBIRC said in a statement.

In addition, an insurer's investment in any single shareholder is capped at 15% of the insurance firm's total assets, the regulator said.

The board of each insurer will also have to set up a committee to routinely control and assess the risks of related transactions, according to the revised regulations.

China is sharpening its supervision of insurers’ and small banks’ shareholders amid fears that loans and investment given to big investors could prove a weak point in the country’s financial system.

"Several insurance companies pass vested interests to shareholders and related parties through non-financial units and well-packaged financial products," the CBIRC said.

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