



भारतीय बीमा संस्थान  
INSURANCE INSTITUTE OF INDIA

# INSUNEWS

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## QUOTE OF THE WEEK

**“You are not here merely to make a living. You are here in order to enable the world to live more amply, with greater vision, with a finer spirit of hope and achievement. You are here to enrich the world, and you impoverish yourself if you forget the errand.”**

**Woodrow Wilson**

## INSIDE THE ISSUE

Insurance Industry	2
Insurance Regulation	9
Life Insurance	10
General Insurance	16
Health Insurance	17
Motor Insurance	22
Crop Insurance	26
Insurance cases	28
Pension	32
IRDAI Circular	33
Global News	34

## INSURANCE TERM FOR THE WEEK

### *Sponsor protection cover*

Sponsor protection is a cover offered in almost all student travel policies by insurance companies. It is available for students going outside India for studies.

Sponsor here would mean an individual, usually parents of the student, responsible for paying tuition fees of the insured persons (student) for his or her full-time studies in an educational institution outside India.

One can claim on the sponsor protection cover when the sponsor meets with an accident which results in his or her death or permanent disability due to which he or she is unable to pay the tuition fees of the insured. In such a situation, the insurance company would reimburse that proportion of the tuition fees (to the extent of sum insured) for the remaining period of the student's education. This feature is there in policies of Bajaj Alliance General, Tata AIG and Apollo Munich Health Insurance, among others.

Note that, a student cannot claim both under sponsor protection and study interruption (where a student is unable to continue his/her studies) for the same reasons.

Source

## INSURANCE INDUSTRY

### *Budget 2019: Key policy changes, tax reforms that will shape the future of NPS and insurance sector – Financial Express – 11th July 2019*



**Union Budget 2019 India:** The Budget 2019 was presented in the lower house of the Indian Parliament on 5 July 2019 by the Finance Minister. As is the norm, the economic survey for the financial year 2018-19 was released a day before. The key aspects from the economic survey and the Union Budget and amendments proposed in the Finance (No.2) Bill 2019, as is relevant for the insurance and NPS sector, are discussed hereunder.

### **Insurance**

Growth in the insurance Industry as per the Economic Survey for FY 2018-19

# Insurance penetration, which was 2.71 percent in 2001, has steadily increased to 3.69 percent in 2017 (Life 2.76% and Non- Life 0.93%). The insurance density in India which was US\$ 11.5 in 2001, reached US\$73 in 2017 (Life-US\$ 55 and Non-Life -US\$ 18).

### **Watch FE Explained video: What is Union Budget?**

# During fiscal 2017-18, the gross direct premium of general insurers (within India) was Rs.1,50,660 crores as against Rs.1,28,130 crores, in 2016-17, registering a 17.6 percent growth due to growth in motor, health and others segments of the insurance industry. The life insurance industry recorded a premium income of Rs 4,58,810 crores as against Rs 4,18,480 crores in the previous financial year, registering a growth of 9.64 percent.

## Major Policy Initiatives

# To further open up Foreign Direct Investment (FDI) in insurance sectors in consultation with all stakeholders. Presently FDI is permitted in insurance companies up to 49 percent under the automatic route.

# Proposed 100 percent FDI in insurance intermediaries (e.g., insurance brokers, third party administrators, surveyors and loss assessors, others)

# To organise an annual Global Investors Meet in India so that India also becomes part of the global financial system to mobilise global savings mostly institutionalised in pension, insurance and sovereign wealth funds.

## Regulatory Changes

# Section 6 of the Insurance Act, 1938 amended to facilitate on-shoring of international insurance transactions in IFSC by foreign reinsurance companies. The Net Owned Fund requirement reduced from Rs.5,000 crore to Rs.1,000 crore for opening of branches by foreign reinsurers at the International Financial Services Centre (IFSC) in GIFT city.

# Section 16 of the General Insurance Business (Nationalisation) Act, 1972 has been amended pursuant to which the number of nationalised general insurance companies can be reduced to four or less (excluding GIC) by the central government (CG) by way of restructuring. Presently such companies cannot be reduced below four. There are presently five public sector general insurance companies (excluding GIC), so the need for the amendment in law to carry out any restructuring or merger of such companies.

## Major Tax Reforms

# Amendment in Section 194DA of the Income-tax Act, 1961 (the Act) – Tax to be withheld on the income component paid to resident under a life insurance policy, which is not exempt under sub-section 10(10D) of the Act. The rate of tax deduction at source is changed to 5 percent on the amount of income comprised therein from 1 percent on gross payment. Indirectly, the Finance Minister has accepted that the premium paid should be allowed as a deduction while computing the income taxable under the life insurance policy. The amendment is effective from 1 September 2019.

# Can this intent be extrapolated to annuity policies so that the premium paid on annuity be reduced while computing income from annuity?

# Section 269SU inserted to provide that companies whose turnover exceeds Rs 50 crore in the preceding year should provide facility to accept payments through prescribed electronic modes. Failure

Sector	No. of Subscribers	Total Contribution M&B* (Rs in Crs)	AUM (Rs in Crs)
Central Government	1,997,607	81,506.82	114,986.34
State Government	4,400,995	130,295.90	168,841.16
Corporate Sector	832,027	25,378.94	32,750.04
Unorganized Sector	949,409	10,286.15	10,262.57
NPS Swavalamban	4,358,937	2,582.93	3,515.61
<b>Total</b>	<b>12,538,975</b>	<b>250,050.74</b>	<b>330,355.72</b>

to attract penalty @Rs.500 per day. Amendment is effective from 1 November 2019.

Expectation of general insurance companies inter alia included (1) clarity for deduction of reinsurance premium paid to foreign reinsurance companies and (2) lower rate of tax on capital gains under section 112A of the Act, is pending.

## National Pension Scheme

Number of Subscribers and AUM as on 31st May 2019 – Atal Pension Yojana (APY)

Number of Subscribers and AUM as on 31st May 2019 – Atal Pension Yojana (APY)

Sector	No of Subscribers	Total Contribution M&B* (Rs in Crs)	AUM (Rs in Crs)
Atal Pension Yojana	15,546,848	6,851.00	7,526.71

Major Policy Initiatives

# 30 lakh workers have joined the Pradhan Mantri Shram Yogi Maandhan scheme launched on 5th March, 2019. The scheme aims at providing INR 3,000 per month

as pension on attaining the age of 60 years in unorganised and informal sectors.

# For extending the pension benefit, three crore retail traders and small shopkeepers whose annual turnover is less than Rs 1.5 crore will be covered under a new scheme, namely Pradhan Mantri Karam Yogi Maandhan Scheme.

# Appropriate organisational structure to be created to separate the NPS Trust from Pension Fund Regulatory and Development Authority (PFRDA) to maintain arms’ length relationship.

# Efforts are being made to attract institutional investors (pension funds, sovereign wealth funds etc.) into infrastructure financing.

Major Tax Reforms – Incentives to National Pension System (NPS) subscribers

# Section 10(12A) – Increased the limit of exemption from current 40 percent to 60 percent of payment on final withdrawal from NPS

# Section 80CCD – Allows deduction for employer’s contribution up to 14 percent of salary from current 10 percent, in case of central government employees.

{Employers contribution to NPS is taxable under section 17 of the Act and deduction is allowed under section 80CCD of the Act}

# Section 80C – Allows deduction for contributions made to Tier II NPS account by central government employees (within the overall limit of Rs.150,000).

These amendments are effective from AY 2020-21, i.e. for financial year 1 April 2019 to 31 March 2020. However, the Union Cabinet had approved of this exemption in its meeting on 6 December 2018. So this exemption should have been applicable for the AY 2019-20 onwards.

The insurance and the NPS sectors have grown over the years. More such policy initiatives and tax reforms should help the growth of the sectors and also benefit the investors in these sectors.

*(The writers are Bahroze Kamdin and Alifya Hakim.)*

[TOP](#)



**Budget impact: FDI cap in insurance sector may be raised to 74% - Business Standard - 9th July 2019**



The government is planning another round of overhaul of the foreign direct investment (FDI) policy with changes across sectors including insurance, contract manufacturing, digital media, and information utilities, besides single-brand retail trade, in line with the Budget announcements.

The insurance sector could be opened up to 74 per cent FDI under the approval route to bring parity with the banking sector, according to proposals under consideration. The current 49 per cent foreign investment limit through the automatic route in insurance is likely to be maintained. “Banking is a more sensitive sector

compared to insurance. There should be parity here,” said a government official. For insurance intermediaries like brokers, insurance repositories, third-party administrators, etc, 100 per cent FDI may be permitted.

Digital media, which has been in the grey area as far as regulations go, may be capped at 26 per cent FDI for uploading of news and current affairs under the approval route. For streaming news and current affairs content, FDI up to 49 per cent could be permitted, again under the approval route.

The proposal of the Department of Promotion of Industry and Internal Trade comes amid government concerns over an increasing circulation of fake news with penetration of internet.

“There has been a rise of news provided over internet. Fake news is detrimental to national security. It is pertinent to have specific provisions for digital media,” said a government official. Currently, the FDI policy allows 49 per cent FDI in TV channels and 26 per cent in print media.

The government is also looking to allow FDI in information utilities at 100 per cent through government approval route and up to 49 per cent under automatic route. Currently, there’s no FDI rule for this category. “Information utilities are of key importance for the Insolvency & Bankruptcy ecosystem. With a large amount of data storage, there is a risk of data theft. Hence, government approval should be there for over 49 per cent,” said the official.

In the plantation sector, 100 per cent FDI may be considered for sandalwood and bamboo, besides tea, coffee, rubber and cardamom allowed currently.

*(The writer is Dilasha Seth.)*

[TOP](#)

Source

***Raising of FDI in insurance broking to 100% upsets domestic brokers - The Indian Express - 8th July 2019***



The segments in the insurance industry that will benefit from the new move are: insurance surveyors and loss assessors, third party administrators (TPA), web aggregators and corporate agents.

Finance Minister Nirmala Sitharaman’s Budget proposal to raise the limit of foreign direct investment (FDI) from 49 per cent to 100 per cent in the insurance broking industry that accounts for a pie of Rs 4,500-5,000 crore has come under flak from domestic brokers.

### **Advertising**

Domestic insurance brokers, numbering over 400 consisting of direct brokers, reinsurance brokers and composite brokers, have opposed the 100 per cent FDI in the insurance broking industry as the segment doesn’t need much capital and the proposal wouldn’t ensure large inflows of overseas investment into the country. The segments in the insurance industry that will benefit from the new move are: insurance surveyors and loss assessors, third party administrators (TPA), web aggregators and corporate agents.

Currently, the insurance broking industry deals with over Rs 30,000 crore of premium primarily from the non-life industry which generated over Rs 170,000 crore of premiums in 2018-19. As insurance brokers receive between 15-20 per cent of commission in placing different categories of general insurance business, they account for around Rs 4,500-5,000 crore of business.

According to Sohanlal Kadel, former President, Insurance Brokers Association of India, even considering for a moment to permit 100 per cent FDI in broking when it is 49 per cent in insurance companies would be “travesty of justice as it would be a direct discrimination against local insurance brokers”. Further, this

would decimate most of the Indian brokers engaged in direct insurance and reinsurance broking and who do not have a joint venture with any overseas broker.

“It is very clear that 100 per cent FDI will not make any valuable contribution to the industry from the current permissible FDI limit of 49 per cent except perhaps repatriation of profit which can be more than the capital they bring in and thereby drain of our foreign exchange,” Kadel said.

Supriya Rathi, promoter director, Anand Rathi Insurance Brokers, said 100 per cent FDI in insurance intermediaries is not going to increase the insurance penetration in India as they will not be focusing on micro insurance or broking in smaller cities and towns but focus more on servicing large insured on their large policies or focus on reinsurance. “Proposing 100 per cent FDI in insurance intermediaries with a view to open up investment across sectors will not likely have much impact on the FDI inflows,” Rathi said.

Currently, half a dozen of foreign insurance brokers are operating in the Indian market through joint ventures (JVs) formed with Indian partners. Prominent among them are: Marsh, the largest insurance broker in the world, Willis Towers Watson, the third largest insurance brokers, Howden, UIB, Arthur J. Gallagher & Co and Toyota Tsusho Insurance Broker.

In FY 2018-19, new regulations by the IRDAI had specified Rs 75 lakh (earlier Rs 50 lakh), Rs 4 crore (Rs 2 crore) and Rs 5 crore (Rs 2.5 crore) of capital for a direct broker, reinsurance broker and composite broker respectively. “The industry may not get any larger benefits out the move to allow 100 per cent FDI in the insurance broking industry. On the contrary, small and medium scale brokers will be wiped out from the system as the overseas brokers have more muscle power,” said sources in the industry.

“Some international broking houses lobbied for 100 per cent FDI in the Indian insurance broking industry,” said sources.

A panel formed by the IRDAI in 2014, under Suresh Mathur, had suggested then that 100 per cent FDI be allowed over three years. However, the suggestions of the panel were not implemented after that FDI cap in the overall insurance industry was raised from 26 per cent to 49 per cent. However, in the domestic insurance industry, the current 49 per cent FDI cap has been maintained at the same level.

“Previously when the FDI was increased from 26 per cent to 49 per cent, only two foreign players increased their stakes in their insurance broking entities,” Rathi said. “This move will likely benefit just the top two or three global insurance brokers already present in the country and will increase foreign dominance in the insurance intermediary space. Moreover, it may increase outflows from the country as foreign players tend to repatriate their profits,” Rathi said.

However, several experts welcomed the move to hike the FDI. “The hike in FDI will bring in more technology and efficiency in the segment and boost insurance penetration,” said Amit Maheshwari, Partner, Ashok Maheshwari & Associates LLP.

Govinder Kapoor, Chairman, Proclaim Insurance Surveyors and Loss Assessors, said, “we are confident that an increase in FDI limits to 100 per cent would stimulate further investment in the insurance intermediary sector by foreign insurance surveyors and loss assessors, along with other intermediaries. This will also lead to enhancement of service standards in alignment with global trends which would benefit the ultimate policyholders interest.

Vikram Chhatwal, Whole-Time Director, Medi Assist Insurance TPA, “the change in FDI will attract significant investment in the sector and enable adoption of global best practices and lead to significant job creation both directly and indirectly. This policy will support the vision of ‘Ayushman Bharat’ and healthcare for all.” Insurance broking is like any other financial or commodity broking services. The issue was recently discussed in a high level inter-ministerial meeting,” government sources said.

*(The writer is George Mathew.)*



[TOP](#)

**FDI in insurance intermediaries to create tech innovation, global standards: Experts – Financial Express – 8th July 2019**



Currently 49% of FDI is allowed for insurance intermediaries which includes insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third party administrator, surveyors and loss assessors.

The insurance industry has welcomed the finance minister's announcement of 100% foreign direct investment (FDI) for insurance intermediaries.

Market participants believe that this proposal would enable innovation in insurance distribution and bring in more technical innovation and global best practices in the insurance industry.

Indranath Bishnu, partner, Cyril Amarchand Mangaldas says, "It is a positive step as stakeholders have been lobbying for this change for quite some time now. Unlike insurance companies, insurance brokers are not entrusted with the management of public wealth. In light of this, the liberalisation of foreign investment in insurance brokers, though overdue, is well justified.

Once the legislative changes come into effect, alongside fresh capital, the sector can look forward to the creation of new jobs, greater sharing of knowhow, technical innovation and global best practices. Better brokers means better access to insurance products, which has been the need of the hour for the Indian public and the Indian economy."

Currently 49% of FDI is allowed for insurance intermediaries which includes insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third party administrator, surveyors and loss assessors. Amit Jain, president, Personal Lines, Bancassurance & Affinity and Marketing, Liberty General Insurance says, "This move will attract the global insurance distribution companies to set their shops without worrying about finding the suitable Indian partner and ownership and control issues."

He also added that, large insurance distribution companies will help in increasing the insurance penetration, as despite opening of insurance sector to private sector about 20 years ago, insurance awareness and penetration has not reached optimum level.

Insurance penetration is as low as about 3% in life insurance sector and about 1% in general insurance sector. Data by Insurance Regulatory and Development Authority of India (Irdai) shows that there are over 430 brokers which includes, direct, composite and reinsurance as on June, 2018. However, some players believes that this announcement will not help increasing insurance penetration in India.

Supriya Rathi, promoter director, Anand Rathi Insurance Brokers says, "100% FDI in insurance intermediaries is not going to increase the insurance penetration in India as they will not be focusing on micro insurance or broking into smaller cities but focus more on servicing large insured on their large policies or focus on reinsurance.

Previously when the FDI was increased from 26% to 49%, only two foreign players increased their stakes in their insurance broking entities. This move will likely benefit just the top 2-3 global insurance brokers already present in the country and will increase foreign dominance in the insurance intermediary space."

[TOP](#)

Source

**Budget 2019: What do the changes in budget mean for the insurance policyholders? - Financial Express – 6th July 2019**



**Union Budget 2019 India:** Finance minister Nirmala Sitharaman, presenting the budget, proposed 100 per cent Foreign Direct Investment (FDI) in insurance intermediaries. Industry experts from the insurance sector say that the move will get the much-needed long-term capital to the sector and also bring in a professional advisory to help policyholders.

According to experts, even though it will help companies to have much capital to run their business successfully, it is also going to increase competition among insurance providers.

However, for customers, it will open new options to explore. Naval Goel, CEO, and Founder of PolicyX.com says “With the growing competition and options, customers would be able to get cost-effective insurance products easily. Talking about the move, it will surely spur the investment.”

Experts say, higher FDI in a capital intensive sector like insurance can help in deepening penetration of the sector, bring in the much-needed stable long term foreign flows and also assist in providing long tenure funding to infrastructure projects.

Prashant Tripathy, Managing Director and Chief Executive of Max Life Insurance says, “The 100 per cent FDI proposed for insurance intermediaries, would help expand the reach of insurance and bring in greater professionalism through an infusion of global best practices in the country.” He further adds, “The Union Budget aims at driving inclusion through various developmental schemes and government initiatives, especially for lower income groups of society across urban and rural areas.”

Generally, once the FDI limit increases in any sector it spurs growth and increases competition. For intermediaries, it will be a better environment for fundraising. Prashant Sharma, Chief Investment Officer, Aviva Life Insurance, says “With the increase in FDI, all types of insurance intermediaries like brokers, corporate agents, and most importantly web aggregators are likely to see increased funding activity.”

The first budget of NDA 2.0 has brought relief for the policyholders of Life Insurance Companies with revised TDS rates on net income. The new tax deduction rate is of 5 per cent on net income on policies where the sum assured is less than ten times of premium. Earlier it was 1 per cent on the gross payout. Sharma adds, “It is a significant step for industry players as now deduction is allowed on net income after deducting premium paid than on gross amount payout.”

*(The writer is Priyadarshini Maji.)*

[TOP](#)

Source

**Proposed hike in FDI to drive up M&A deals - The Hindu Business Line – 6th July 2019**

A proposed hike in Foreign Direct Investment (FDI) would benefit the M&A sector as existing foreign investors would look to hike their stakes in their Indian joint venture companies.

“The first impact would be foreign firms which have already invested in these sectors, such as insurance, would increase their investments. Insurance, for instance, has long gestation and break-even periods and I don’t think there will be a lot of M&A activity,” Riaz Thigna, Director at Grant Thornton Advisory told *BusinessLine*.

The Finance Minister in her Budget speech said the Government will examine suggestions of further opening up of FDI in aviation, media (animation, visual effects, gaming and comics) and insurance sectors. Local sourcing norms would be eased for single brand retail sector.



“With these proposals, there could be an increase in M&A activities in some sectors but not across all sectors where FDI has been proposed,” Thigna added.

For the aviation industry, which is facing a turmoil, this proposal may help revive some of the companies such as the national carrier Air India through divestment or private carrier Jet Airways, in case a foreign bidder comes in.

Industry experts were of opinion that for Jet Airways this would be a little late as the carrier has already filed for

bankruptcy. However, if things move fast - with policies and decisions in place in the next month or two - it might change.

“We don’t know the finer details yet, even though the Government said it would liberalise the aviation sector. Aviation needs capital and this could help a carrier raise funds from foreign airline and open up certain avenues,” Vivek Gupta, Partner and National Head (M&A and Private Equity, Tax), KPMG in India said.

“Likewise in media. In insurance intermediary – brokerages and Third Party Administrators (TPAs) – we might witness interesting transactions, while in single brand retail, relaxation of local sourcing norms will make foreign investment easier,” Gupta added.

At present, FDI in insurance is capped at 49 per cent, media at 26 per cent (news at 26 per cent and non-news and entertainment liberalised at 100 per cent), aviation at 49 per cent and single brand retail capped with legal sourcing norms.

“Increasing FDI limits in PSUs should help the Centre to meet its divestment target,” Rajesh Thakkar, Partner/Transaction Tax, Tax & Regulatory Services at BDO India said.

*(The writer is Rajesh Kurup.)*

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## INSURANCE REGULATION

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### ***IRDAI for changes to TPA health norms – The Hindu – 9th July 2019***



From providing health insurance policyholders an option to choose third-party administrators (TPAs) to proposing a hike in the fees it levied on such firms, insurance regulator IRDAI has mooted multiple changes in the regulations governing TPA-Health Services.

For greater competition, it is proposed to allow the policyholders to choose the TPA of their choice from those engaged by the insurer. Suitable regulatory provisions are proposed, IRDAI said while inviting comments on an exposure draft on changes to the regulations.

However, TPAs would not be allowed to canvass the business of rendering health services directly from the policyholders or prospects.

On their part, insurers need to explicitly provide names of the TPAs from whom the policyholder may choose, at the point of sale.

The policyholder would be allowed to change the TPA only at the point of renewal. Where only one TPA is engaged by the insurer, no option need be provided to the policyholder, IRDAI said.

A range of services are offered by TPAs in health insurance segment from administering services to handling claims. They play the role of a facilitator and serve as a crucial link between the insurers they represent and the hospitals.

The first set of regulations governing the TPAs, which also marked the introduction of the concept of TPAs in the health insurance space, came in 2001.

### **New provisions**

They were revisited in 2016 and the present exposure draft intended to issue clarifications as well as introduce certain new provisions and carry out some modifications. Sources in the industry said that while the role and services of TPAs were important, there were a few companies who preferred to do the work in-house.

Figuring in the list of changes sought to be made is an increase in various fees charged by the authority from the TPAs, which has remained unchanged since 2001. The proposal is to revise the non-refundable processing fee from ₹20,000 to ₹1 lakh; registration fee for new applicants from ₹30,000 to ₹2 lakh; and renewal application fee from ₹15,000 to ₹1.50 lakh.

The IRDAI has also proposed a set of qualifying norms for TPA promoters, including those pertaining to their shareholding.

Further, it has suggested a change in the wordings to increase the scope of health services provided by TPAs to policyholders of foreign insurers visiting India.

The writer is N. Ravi Kumar.

[TOP](#)

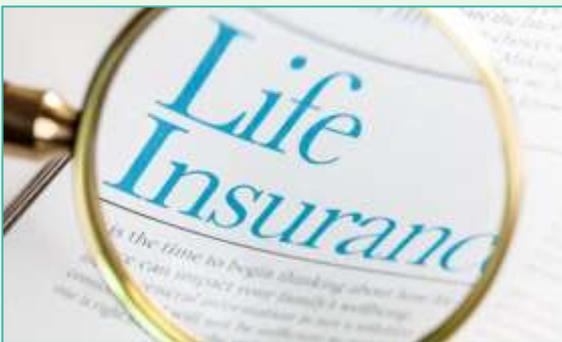
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## LIFE INSURANCE

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### ***Insurers say 5% TDS on net proceeds of life cover will ease tax compliance - The Hindu Business Line - 10th July 2019***



In a step that will help ease compliance hassles for life insurance policy holders, the Budget proposed a 5 per cent tax deducted at source (TDS) on net insurance proceeds. The provision will come into effect from September 1, 2019.

This means that for such policies, net insurance proceeds — which is the amount payable minus total premium paid — will be taxed at 5 per cent.

TDS is deducted at 1 per cent of gross proceeds at the time of payment, as per current norms.

At present, under section 194DA of the Income Tax Act, a person is obliged to deduct tax at source if the person pays any sum to a resident under a life insurance policy, which is not exempt under sub-section (10D) of section 10. "Several concerns have been expressed that deducting tax on gross amount creates difficulties to an assessee who otherwise has to pay tax on net income (that is after deducting the amount of insurance premium paid by him from the total sum received)," said the Memorandum to the Finance Bill, 2019, adding that it will also help tax administration easily match the TDS.

Riders attached

Insurers said the provision is for only specific covers, which are largely single premium as most policies have a 10-time cover and are so outside the ambit of tax.

“Most insurance policies don’t fall under the ambit of this tax provision because it only applies for those policies which are not exempt under section 10(10D), that is policies which do not have a minimum 10 times life cover. Even for policies which will attract this tax, the new proposal of 5 per cent TDS is possibly better as it is only applicable on the net gains (total payout less premiums paid). At present, one per cent TDS is levied on the total payout exceeding ₹1 lakh, so there could be situation where the customer ends up paying TDS even if s/he has not had any gains,” said Ashwin B, Chief Operating Officer, Exide Life Insurance.

### **Smoother IT filing**

Satyan Jambunathan, Chief Financial Officer, ICICI Prudential Life Insurance, also welcomed the move and said it will facilitate smoother tax compliance for the customer.

“This is because generally customers mention only the net income in their income tax returns, whereas Form 26AS reflects the total proceeds on which tax has been deducted, thus leading to a mismatch. Going forward, such instances can be avoided,” he said.

*(The writer is Surabhi.)*

[TOP](#)

Source

### ***Factors that may hike your insurance premium - Hindustan Times - 9th July 2019***



At some point in your life you will buy an insurance plan. “When it comes to life and health insurance, your premium amount will differ with your age, family history, pre-existing diseases and lifestyle choices among other reasons. Basically if anything questions the underwriting process, your premium will be affected,” said Anik Jain, co-founder and CEO of Symbo Insurance, a Mumbai-based insurance broker.

Insurance company uses standard premium table. “These are gender specific and provide age based premium rates,” said Rakesh Wadhwa, chief marketing officer - strategy, Future Generali India Life Insurance. When it comes to life insurance, the underlying mortality rate plays an important role among other factors on deciding your premium.

“There are several individual-specific factors which have an impact on underlying mortality rates such as smoking habit, occupation, alcohol consumption, pre-existing disease, riskier leisure pursuits, medical history of parents and siblings and home address,” said Wadhwa.

In health insurance, the underwriting process focusses more on the diseases you may already have at the time of application. “Smoking has a direct impact toward someone getting cancer and other related diseases. Each of these medical conditions requires expensive treatment and hence an added risk for the insurer.

An insurance company to make sure they adequately cover this additional risk often tends to load the premium or take additional tests on the proposer,” said Ravi Vishwanath, ED and CEO, Reliance Health Insurance. Morbidity rates should be able to aid health insurers in deciding premiums. “In India, we are still to have a well approved morbidity data table to quantify the risk attached to smoking habits,” Vishwanath added.

Let’s take a better look at which factors affect your life and health insurance premiums.

## **Age**

Applying for an insurance policy when you are older may end up being costlier for you. When you are younger you are expected to have lesser health problems and the mortality risk is also lower. “If you’re applying in your 20s and paying a premium of Rs 3,000, the premium will increase by 5% if you are in your 30s, 31% in 40s, 145% if in 50s and could cost up to 400% more if you are in your 60s,” said Naval Goel, CEO and founder, PolicyX.com, an insurance aggregator.

## **Family history**

If there is an adverse history of sickness in the family, insurance premiums are hiked. “This is done because some illnesses are genetic and an adverse family history of the illness increases the death risk of the insured,” said Dharendra Mahyavanshi, co-founder, Turtlemint, an insurance aggregator.

## **Body Mass Index (BMI)**

People with high BMI have a significantly higher rate of premium than people with normal BMI. “This can lead to various ailments such as heart problems, joint problems and diabetes,” said Goel. The instance of such diseases put pressure on your future health. If you have any type of medical issues (diabetes, hypertension, heart related ailments, etc.), the risk would be high and the premium would increase,” said Mahyavanshi. In health insurance parlance, ‘pre-existing diseases (PED)’ is a common term to denote the illnesses you are already suffering from at the time of application.

## **Gender**

Females are charged a lower premium compared to males. “Reason being females have a lower mortality rate as per statistical data,” said Mahyavanshi.

## **Injurious substances**

Most insurance companies increase their rates of premium for people who have the habit of smoking, chewing tobacco or are involved in the consumption of other harmful substances. “Since they are more prone to getting life-threatening diseases like cancer, their premiums are increased,” said Goel.

## **Profession**

If your profession involves working in dangerous environments with radiation or with hazardous substances like chemicals, you may end up paying higher premiums. “For people working in high-risk jobs, the premium can increase to as high as 12-15%,” said Goel. Basically jobs which have a higher risk of putting you in a patchy health situation, can make your insurance plans costlier. “Individuals who are in the armed forces, aviation industry and mining industry have higher premiums,” said Mahyavanshi.

Life insurance premiums are likely to increase at a higher rate in comparison to health. “In life insurance, the contract is signed for a longer duration while in health yearly changes into the premium are possible as per the current circumstances and health conditions of the insured person,” said Goel.

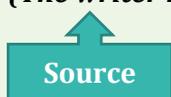
## **How can you avoid the premium hikes?**

Simply put, applying for an insurance plan at a younger age, maintaining a healthy lifestyle, keeping a check on your family history and keeping your insurer abreast with all the information with all your details to avoid any confusion later on.

“Disclosure may invite for an additional premium amount, but it is far better to keep your insurer informed for better claims experience. Good claims experience associated with non-smokers should bring in added renewal benefits and value from the insurers in the long run,” said Vishwanath.

Every stated instance will differ for each one of you. Hence, read all your policy documents carefully, have a detailed chat with your insurer and consult your advisor before making any decision.

*(The writer is Revati Krishna.)*



[TOP](#)

## **Ensure stability with term insurance – DNA – 9th July 2019**



Indians are hard-wired to build a savings pool and rely on these savings to provide financial security to their families. Term insurance is one such policy that provides your family the much needed financial support after one passes away.

Term insurance plans have undergone significant transformations, these plans in their current avatar are wallet-friendly and offer much more, for e.g. a decade ago, a 30-year-old individual had to pay an annual premium of approx Rs 21,000 for a life cover of Rs 1

crore, today it costs around 8,000 per annum.

Life insurers have innovated and designed term plans which cover a range of critical illnesses as well. Critical illnesses have the potential to wipe out a family's savings. Therefore, having a term insurance plan with a built-in critical illness rider will enable the family to financially combat such medical crisis.

For some of the critical illnesses, the policyholder receives the cover amount upon diagnosis to carry through the necessary medical treatment. Earning individuals with dependent family members should view the premium amount as an investment being made towards providing the family with financial security.

In case of a tragedy, the claim proceedings will enable the family to buy time to deliberate and adopt the next course of action.

The concept of human life value (HLV) has been developed to enable breadwinners to calculate the adequate quantum of life cover. It estimates that earning individuals up to 40 years of age should ideally have a life cover of 15-20 times their annual income, individuals in the age bracket of 40-50 years should have a life cover of 10-15 times annual income and individuals above 50 years a life cover of 5 times annual income is advisable. The life cover should continue until retirement.

Technology has enabled life insurers to simplify products and processes. Life insurers can conduct real-time underwriting to issue policies, where medical tests are not required, in a matter of minutes. If undergoing medical tests is required, individuals should not shy away, but instead view this as an opportunity to get insights into their overall health condition. In some cases, even if the medical test reports are unfavourable, individuals can avail of a life cover by paying an additional premium as their health condition only accentuates the need to provide financial security to their families.

The onus is on individuals to truthfully declare all information requested by the life insurance company. Withholding or providing misleading information can result in the claim being declined and defeating the purpose for which the policy was purchased and left the family financially vulnerable. It is critical that individuals include a nominee for the policy at the time of purchase as it enables the life insurance company to pay out the claim proceeds to the rightful person.

Life insurance is a long-term product and choosing the appropriate life insurance company to partner with is equally important. Individuals should evaluate the claims settlement ratio along with the average time taken to settle genuine claims. The lesser the time the better it is as it will ensure that the family receives the proceeds of the claims at the earliest, with little financial disruption.

***(The writer is Puneet Nanda.)***



**TOP**

**New Ulips with return of mortality charges: Should you invest? - The Economic Times- 8th July 2019**



From being reviled due to their inflated cost structure and misselling, unit-linked insurance policies (Ulips) are now being promoted as low-cost vehicles for those looking to invest in market-linked products.

Bajaj Allianz Life, Edelweiss Tokio Life, HDFC Life, ICICI Prudential Life and Canara HSBC OBC Life now offer online Ulips that return mortality charges at maturity. Almost all online Ulips have eliminated premium allocation charges as well. But are these reasons enough for you to take the plunge?

**New look Ulips**

Earlier, the main concern about Ulips was given that the primary objective of a Ulip holder is investment, why should she pay for the life insurance cover, which eats into returns? Life insurers decided to sweeten the deal last year by offering to return mortality charges at maturity. “The portfolio yield will go up at least 200-250 bps, even if you discount 15-20 bps per annum as time value of money,” notes Dheeraj Sehgal, Chief Distribution Officer, Bajaj Allianz Life Insurance.

Insurers believe this will appeal to individuals who do not wish to pay for a service they haven’t availed of. “For such customers, ROMC Ulips are ideal as they pay for a feature they might avail. In the event they don’t, the charges are returned,” says Anup Seth, Chief Retail Officer, Edelweiss Tokio Life Insurance. “In the past, we have seen a fair amount of success of Term with Return of Premium,” notes Rahul Parikh, CEO, Bajaj Capital.

Then, there is long-term capital gains tax (LTCG) on equity investments, which does not affect Ulips. Moreover, elimination of various charge heads has made the product structure simpler for DIY customers.

Total expense ratio includes GST as well as mortality charges.

*Total expense ratio*

Bajaj Allianz Life Insurance - Goal Assure	1.66%
ICICI Prudential Life Insurance- Signature	1.17%
HDFC Life Insurance-Click2Wealth	1.70%
Edelweiss Tokio Life Insurance-Wealth Gain	1.57%
Plus	
Canara HSBC OBC Life Insurance- Invest 4G	1.37%

*Note: Illustration for a 35-year-old female, paying premium of Rs 1 lakh for a sum assured of Rs 10 lakh and tenure of 20 years. Assuming 8% rate of return in equity fund options.*

**Tread with care**

Ulips are not without their share of limitations, like lack of flexibility to exit. Stopping premium payment within five years will lead to policy lapsation and you will have to pay discontinuance charges should you decide to surrender it during this period. While the cheaper cost structure is attractive, many direct equity funds have expense ratios as low as 0.64%.

Also, you have to persist with your fund manager even if your investments yield poor returns. Thus, return of mortality charges notwithstanding, those in their 60s are better off staying away from Ulips. “People in their 30s can look at Ulips as they have long-term goals, can save and invest amount in locked-

in products. You need to stay invested in Ulips for 10-15 years to ensure money grows,” says Shweta Jain, Founder, Investography.

Those who do not have a regular income or are not confident of servicing premiums annually should not opt for Ulips. They would do well to stick to mutual fund SIPs and buy an adequate term cover to secure their families.

[TOP](#)

Source

### ***Life insurance: Covering risk and getting premiums back – The Hindu – 7th July 2019***



A term insurance plan with return of premium can be a productive way to invest money.

The first question that every investor asks is ‘what or how much will I get in return?’ A majority of us, quite often, follow this practice, especially when choosing our **insurance** products. We all want something in return for any investment made in a financial product. And then, there is nothing wrong about it. Each one of us wants to best utilise our hard-earned money in the most productive way possible. Though, we must also understand that the ‘returns on investment’ should not be the only criteria when choosing an insurance product.

But when it comes to life insurance, ROI (return on investment) does play an important factor. As per industry experts, customers expect some return from their life insurance policies, at least the capital. Over the last few years, term plans have become quite popular, especially among the young investors looking for a safe and secure way to

financially protect their loved ones in case of their permanent absence.

Under a term plan, the beneficiary or the primary dependent is entitled to get the total sum assured as death benefit upon death of the policyholder. For instance, say Mr. Kumar buys a term insurance with a sum assured of ₹1 crore at a premium of ₹18,000 per annum with a term of 30 years.

Now, if he dies before the policy ends, i.e. within 30 years of buying the policy, his dependents would collectively receive ₹1 crore. However, if, in case, he survives the policy term, he would not get any survival benefit.

#### **TROP plans**

This concept of not getting any benefit in case of survival of the policy term, has left people with the quest of investing in life insurance plans that provide some return. The insurance market these days works on the very concept that while what customers need is the primary reason of any product design, what they want is equally important. This is why insurers have introduced term insurance plans with return of premium feature. Term Return of Premium (TROP) means that all the premiums are returned to the insured as maturity benefit. According to a recent research by a renowned insurance industry research group, term return of premium plans represent about 10% to 12% of term life sales.

Yes, though the numbers are currently quite low due to lack of popularity around the product, TROP is no doubt an excellent product offering both term life coverage and a refund of all of your premiums provided you outlive the policy term. In simpler words, TROP plans offer a full death benefit as well as the prerogative of cash windfall, provided you outlive the term. Considering the need of people for a life insurance product that offers guaranteed ROI, TROP plans are hard to beat. The product works out great for anyone looking for guaranteed cash value while having life insurance cover for a defined term.

As a policy seeker, you can select the term period that matches your specific needs and requirements. TROP plans work like an automated savings plan, pushing you to add to your savings every month/year.

For investors more concerned about the return, TROP is definitely a value-for-money product, promising guaranteed returns. In simple words, it is a term plan with death benefits which returns the premium paid if the policyholder survives the policy term.

For instance, consider a policy with ₹1 crore sum assured for 35 years for which the yearly premium is ₹25,000 providing cover up to 60 years. If the insured dies, the family will be paid the sum assured i.e. ₹1 crore. However, if the insured survives the term, the insurer will return the premium i.e. ₹6,25,000 (₹25,000 x 25).

Just in case, if at any point of your life, you decide to surrender a policy midway, you can do the same with a TROP plan.

It acquires a surrender value only after the first couple of years, but the surrender charges are a bit high. Although this may depend on the insurance companies, a TROP plan is generally available for a policy term of 20, 25, 30 and 40 years. For instance, you can buy a 20-year term life plan if you have a 20-year loan to repay and unfortunately, if something happens to you within the term, you won't have to worry about the repayment of the loan. And in case you outlive the term, you will get back 100% of your premium invested.

Most TROP plans come with conversion options and riders as you have the prerogative of changing the premium term as per your specific needs and requirements. Though the premiums of TROP plans may appear on the higher side, it's worth it to spend more to protect the ones you love the most. For convenience of the customers, insurers have introduced various premium payment plans that offer great flexibility.

The standard premium payment options available in the market include annual, semi-annual, quarterly and monthly. Some insurers even provide a single premium payment option wherein you can pay the premium for the entire term in one go.

A great advantage of TROP plans is that the guaranteed return is tax-free.

*(The writer is Santosh Agarwal.)*

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## GENERAL INSURANCE

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***Union Budget paves the way for a PSU general insurance behemoth - The Hindu Business Line - 8th July 2019***



Budget 2019-20 has cleared the decks for the merger of three state-run general insurers into a behemoth like Life Insurance Corporation of India. Under the current rules, there has to be four general insurers to execute such a merger. The proposed amendment to the the General Insurance Business (Nationalisation) Act, 1972 will give flexibility to the Centre to bring down the number to less than four.

The Finance Bill, 2019 has proposed to amend the Act by substituting the words “only four companies” with the words “up to four companies” in section 16, in sub-section (2). The section deals with schemes of reorganisation and empowers the Centre to merge or transfer one or two state-run general insurance companies to form a new company.

Apart from re-insurer General Insurance Corporation of India, the country has four general insurers — New India Assurance, Oriental Insurance, National Insurance and United India Assurance. New India is listed and is the largest amongst all general insurers, including those in the private sector.

“The proposed amendment is clearly a move towards the intent to merge the public sector general insurers, as under the current Act, there have to be four such firms. The government is still looking into various options,” said a person familiar with the development, adding that this is the reason why the Budget did not allocate any capital for infusion in the public sector general insurers.

One of the options, which is still under discussion with the Department of Financial Services and Department of Investment and Public Asset Management, could envisage a merger on the lines of ONGC-HPCL merger, which would not only help create a stronger general insurance entity.

Under this plan, the three other general insurers could possibly be merged with New India but the timelines and the process still have to be fine tuned, sources said.

The other option, which was announced in the Union Budget last year, is to merge National Insurance, United India Assurance and Oriental Insurance into a single entity, which will be subsequently listed. But this could not be done due to the limitation in the current Act with respect to the number of players.

Sources said a clear plan will be worked out and efforts will be to ensure the merger goes through this fiscal year.

*(The writer is Surabhi.)*

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## HEALTH INSURANCE

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***Health insurance: Six steps for managing healthcare costs - Financial Express - 12th July 2019***



The ever-rising cost of healthcare is a huge concern for all. This is more worrying for retired employees as their age brings many health-related issues that need regular care. Proper health insurance plans can surely help you with your treatment. Here are six ways you can manage the cost effectively.

### **Create a realistic plan**

Creating a financial plan after retirement requires some serious thinking. From your mortgage to healthcare, every aspect of it should be planned perfectly so you can have better control over your finance. To do so, you need to consider a few important factors. You need to take into account the high inflation rate when planning your finance for the future.

Again, you never know how your health condition might change in the future. So, you should always imagine different healthcare-related scenarios and plan accordingly. Healthcare needs come in a huge variety. Depending on the level of care you need, the cost will change greatly.

### **Invest in right insurance plan**

Your biggest weapon against healthcare costs is the various insurance plans created to cover them. You can use an online health insurance calculator in order to determine the premium amount you need to pay for particular health insurance covers. Retired people can avail of different types of insurance covers such as individual insurance, family floater, and more.

### **Determine how much healthcare insurance you need**

It is challenging to decide how much cover you may need in case you get hospitalised or diagnosed with a serious illness. So, there are a few things to consider before you can come up with a final decision. Firstly, you need to find out the cost of hospitalisation in your area. If you have a family history of illnesses, then it is very important that you find out the cost of treating those specific health issues. Statistically, a health cover of `5 lakh should be your minimum insured amount. The 15% inflation rate in the healthcare industry should be considered too.

### **Plan for long-term care**

Healthcare issues start to get more serious after the age of 60. You may need special care for a long period of time. This not only includes a prolonged hospital stay but also means nursing care later. A critical illness insurance policy can be helpful in that case as it covers health issues, which require long-term care.

### **Review your health insurance policy yearly**

Health care costs and insurance policies change from time to time. So, it is very important that you review your insurance cover every year and make sure that you always have the best one possible. Always buy health insurance depending on your changing needs so that your premiums do not go to waste.

### **Stay healthy**

This is a very effective way to manage healthcare expenses. If you are physically and mentally healthy, then there is no need to buy too many health insurance plans. As you get older, maintain a good eating habit and exercise regularly.

*(The writer is Eswaranatarajan N.)*

[TOP](#)

Source

***Are you waiting to fall ill to get health insurance cover? You might get rejected by the insurance company – Financial Express – 10th July 2019***



When Ishaan Yadav, 44, got diagnosed with diabetes, he decided to get a health insurance cover for himself. The insurance company, however, asked him to get a series of tests done, before offering him a policy. Yadav's application was rejected by the company following the results, as he was deemed unfit for a regular health plan, because of his high-risk condition.

But Yadav is not alone; there are many like him who think about buying a policy later in life but often gets too late. Later when you go to buy an insurance policy, either you get rejected by the insurer or most critical illnesses are excluded from the policy or even if the policy includes such illnesses, it comes with a waiting period of around 3-4 years. Experts say what most people don't realize is that buying health insurance becomes harder once you have a pre-existing disease.

Catering to such people, various companies have disease-specific plans, such as those for cancer and diabetes. Even though these plans are easier to opt for and provides cover immediately, they come at extra cost. Critical illness plans offer cover even after the insured have been diagnosed with any of the listed critical illness. Industry experts say disease-specific plans are especially for those who missed buying an individual health insurance policy at an early age. When compared to regular health insurance plans, these plans are restrictive.

If you have been rejected for a health insurance cover or you are prone to a specific illness, these critical illness plans might be your best bet.

**Find out what these plans include:**

**Higher Premium Rates:**

Disease-specific critical illness plans come at a very high price. Hence, firstly it is suggested to opt for a basic health insurance policy. With a healthy lifestyle, a diabetic person can get a normal policy as it covers everything but after a waiting period of 4 years. But if the illness is severe, and the diabetes is out of control, then he/she has to opt an illness-specific plan.

**Waiting Period:**

One of the plus points of these plans is that, generally, there is no waiting period for the illness for which you have bought a critical illness plan. For instance, a cancer policy will cover the illness from the first day. For other communicable diseases such as dengue, a nominal waiting period of around 15 days is applicable.

**Co-Payment and Sub-limits:**

In the event of a claim, Co-payment is the percentage of cost that the policyholder has to share with the insurer. The policyholder pays that percentage from his/her own pocket, and the insurer pays the remaining amount. For certain expenses such as doctor's fees, the insurer pays up to a certain limit in case of sub-limit. These clauses in health plans are quite common.

**Treatment Limits:**

Treatment respective limits come with a cap on the amount the policyholder can claim for a particular surgery. Therefore, even if the policy you have opted for has a high sum insured, for a particular illness such caps restrict the amount you can claim. Hence while buying the policy, one should find out which illnesses are excluded in the policy to avoid getting a shock later.

*(The writer is Priyadarshini Maji.)*

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Source

***Health policy also covers mental illness – DNA – 10th July 2019***



As per various media reports, a majority of working class people spend a significant amount - approximately one-third of their adult lives at the workplace. Amongst the working class, all those people who are completely satisfied with their work and enjoy their profession often prove to be way more productive than others who do not enjoy their work. When work feels stressful, the overall quality of the work life tends to suffer significantly. All those who are not happy with the working environment at their office suffer from work-

related concerns which further turn into severe mental health conditions like depression and anxiety. Adding fuel to the fire is a report that states in India, which is the 6th largest economy and 6th wealthiest country in the world, the disgrace revolving around mental health has restricted people from taking treatment for mental illness.

The people have developed a strange fear of being viewed differently in society and especially at their workplace. As per the report, a little over 55% of adults with mental illness do not receive any treatment throughout their lives. Moreover, there is another fact that the expenses for the treatment of mental illness like anxiety are way too high. It's not just the expenses that are restricting people from taking adequate treatment, in fact, the current healthcare system of India itself is not adequately prepared to effectively treat illness related to mental health. The industry experts believe that a majority of behavioural conditions in patients with mental illness need to be screened and treated in the primary

stage. Unfortunately, a majority of hospitals across the nation lack even the minimum amenities required for treating both, physical and behavioural conditions.

Apart from everything else, the number of mental healthcare specialists in India that include behavioural professionals and psychiatrists is also significantly low. All these factors combined together make it very difficult for the patients to manage their illness and take effective treatment. In order to help the people and make treatment of mental health available to everyone, the Insurance Regulatory and Development Authority of India (Irdai) in its exposure draft issued last year asked mental illnesses and several other health issues to be included in health insurance coverage. Under the exposure draft, Irdai made it quite clear that insurers cannot deny coverage to policyholders who have used opioids or anti-depressants in the past. Also, the insurers cannot deny coverage to people with a proved history of clinical depression, personality or neurodegenerative disorders, sociopathy and psychopathy.

Along with people with mental illnesses, the Irdai even directed insurers to include puberty and menopause-related disorders and age-related macular problems in the regular health insurance cover. After the directions of Irdai, numerous insurers have started developing products that rightly cater to the specific needs of people suffering from mental illnesses. Two prominent insurers, Reliance Health Insurance Company and Max Bupa Health Insurance have already introduced health plans which are specifically designed for mental illness patients. Max Bupa's Health Plus plan, for now, is restricted for treatment of patients residing in tier 2 and 3 cities, however, the plan will also cover people residing in tier 1 cities such as Delhi, Kolkata, Mumbai and Chennai.

*(The writer is Amit Chhabra.)*

[TOP](#)

Source

***You can get health insurance despite lifestyle diseases but at higher premium - The Economic Times - 8th July 2019***



India is home to the largest number of diabetics and heart patients in the world. Consequently, a large section of the population does not have easy access to health cover. While group schemes insure such diseases, getting cover is a grey area for individuals. The Insurance Regulatory and Development Authority of India (Irdai) has proposed permitting permanent exclusions for some diseases so that individuals can obtain health insurance for unrelated illnesses.

“Many who have undergone coronary stenting are denied cover despite long survival periods. Even those who undergo angiography or preventive treatment are labelled heart patients and deprived of cover or premium loaded,” says S. Prakash, JMD, Star Health and Allied Insurance, which offers covers for such conditions.

Even if insurers agree to take them on board, the premiums are steep. “Even select policies that do cover such conditions have a loading ranging from 30-300%,” says Abhishek Shah, CEO, Wellthy Therapeutics.

### **Conditional acceptance**

If you are suffering from a lifestyle disease, first enquire rather than assume you cannot obtain health insurance. Even under regular policies, you could be covered provided your parameters are within admissible limits. “Depending on the insurer’s underwriting policies, diabetics can be covered if blood sugar levels are acceptable,” says Sanjay Datta, Chief, Underwriting, Claims and Reinsurance, ICICI Lombard.

For instance, if the HbA1c score is under 6-7, you can get a health cover without premium loading or restrictions. “There is no uniformity in acceptance of these conditions. Most insurers accept hypertension with a loading as long as it is under control. The position on diabetes is a little more mixed. Many insurers reject while some accept with loading if it is under control,” explains Rudraraju Rajagopal, Senior VP and Head of Health Product and Claims, Tata AIG General Insurance.

Enquire with several insurers to land a better deal. Do not be disheartened by proposal rejection or premium loading. “Loading depends on health status, family medical history, underwriting guidelines, sum insured, plan type and related parameters,” says Prasun Sikdar, MD and CEO, ManipalCigna Health Insurance.

Premiums will be steeper if say your diabetes control is lax, besides other factors.

“The loading depends on the benefits the customer is going to get. For example, if the coverage for the condition is from Day 1, then premiums are higher. Stage of the condition also matters. Type II diabetes with high HbA1C and/or on insulin will carry a higher premium loading,” says Shah. If you have more than one lifestyle condition, again your premium would be higher.

Despite paying higher premiums, you may have to pay from your pocket in the initial years in case of waiting periods. “Pre-existing conditions can raise your premiums even if the insurance does not cover these ailments. This is because the policyholder is more likely to have additional issues related to the conditions,” says Ratheesh Nair, Founder and CEO, Watch Your Health. This should not lead you to conceal ailments at policy inception. It can haunt at the time of claim settlement.

**Dedicated coverage**

Given the extent of lifestyle diseases among the population, some insurers offer dedicated covers for cardiac conditions and diabetes. While Star Health offers Diabetes Safe and Cardiac Care, Apollo Munich’s offering for diabetics is ‘Energy’. Premium variants of Manipal Cigna and Aditya Birla Health Insurance provide wellness services and programmes for managing lifestyle ailments and reward points that can be set off against renewal premiums, reducing the outgo.

Most such plans also have an element of covering OPD expenses. Religare Health’s Care Heart, for example, offers an optional cover that pays for doctor’s consultation, pharmacy bills and diagnostics. Aditya Birla and Manipal Cigna cover the same under their health management programmes. “Under such plans, premiums are decided on annual check-ups. A target-based approach is taken wherein the customer improves his health which shows up during the yearly checkup and other health metrics. Rewards are given and discounts on premium unlocked,” says Shah.

**Shop for the best deal before buying**

*Policyholders need to be aware of sub-limits, co-pay and other restrictions.*

Insurer	STAR HEALTH	APOLLO MUNICH	RELIGARE HEALTH	STAR HEALTH
Product	Diabetes Safe - Plan A	Energy - for diabetics	Care Heart	Cardiac Care - Gold Plan
Sum insured	₹5 lakh	₹5 lakh	₹5 lakh	₹4 lakh
Annual premium	₹16,225	₹20,420*	₹12,393	₹25,341

*\*For a 45-year-old woman. \*With wellness and no co-pay*

Such dedicated plans come with ailment-focussed benefits. For example, Star Health’s policy for diabetics promises to pay dialysis expenses of Rs 1,000 per sitting for 24 months, provided the policy is in force. It also covers the cost of artificial limbs due to amputation, up to 10% of sum insured.

Since active management of lifestyle diseases can result in improved parameters, such plans look at rewarding policyholders for healthy choices leading to favourable outcomes. For example, Apollo Munich’s Energy offers renewal discounts and wellness incentives if policyholders manage their hbA1c scores, BP, cholesterol levels and body mass index in accordance with a pre-designed chart. Total points translate into discounts of up to 25% on renewal premiums.

### Keep an eye on restrictions

On the flipside, you need to be aware of sub-limits, co-pay and other restrictions. Under Star Health's Diabetes Safe's Plan B, the coverage for cardiovascular diseases related to diabetes comes with sub-limits. Also, there is a waiting period of a year for diseases linked to cardiovascular system, renal system, eyes, diabetic peripheral vascular diseases and foot ulcer under this variant.

Religare's plan comes with a 20% co-pay ratio, which goes up by 10% per claim in the policy year once the insured crosses the age of 71. While there is no waiting period in Apollo Munich's Energy for ailments related to diabetes and hypertension, other pre-existing diseases have two-year waiting periods. Besides, overall premiums are bound to be higher given the focus on health management. While these products are not optimal as regular health plans, consider these if you have exhausted all attempts to buy a base health policy or if premiums or restrictions on account your pre-existing conditions are stifling.

*(The writer is Preeti Kulkarni.)*

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## MOTOR INSURANCE

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### *New car insurance rules decoded: Impact analysis – Financial Express – 10th July 2019*



Over the past 12 months or so, there has been the introduction of several new rules and guidelines and subsequent modifications in the motor insurance space. The end-user who owns a car or a bike and wishes to get insurance for the first time or renew an existing policy could be lost and facing confusion regarding car insurance or two-wheeler insurance.

We spoke to **Rakesh Goyal, Director at Probus Insurance**, on what the new guidelines implemented by IRDAI pertaining to motor insurance actually mean and how should a policyholder take cues before buying insurance.

### **In the recent past, there have been several changes in the motor insurance space. How will it impact the policyholders and what challenges do you foresee?**

In the last year, there have been several changes that have taken place in the motor insurance sector in India. Recently we saw the Insurance Regulatory and Development Authority of India (Irdai) increasing the third party premiums rates by 15-20 per cent for a few segments of four-wheelers as well as two-wheeler insurance. While in the past, the regulator had announced insurers to provide long term insurance policy for both four-wheelers and two-wheelers and provide a minimum cover of Rs 15 lakh under personal accident cover (PAC).

### **What has been the impact of making car and bike insurance policies long term in nature?**

There is no denying that measures taken by the regulators will eventually benefit policyholders, but changes have also considerably increased the final premiums paid by the policyholder. Non-life insurers will rejoice over the increase in third-party premiums as they were witnessing huge underwriting losses in the segment. This move could bring in some relief to insurance companies.

### **What led to introducing long term policies in the car and two-wheeler insurance space?**

Following a Supreme Court order last year, Irdai has asked all the general insurers to offer long-term mandatory third-party insurance cover. Accordingly, the third-party insurance cover for new cars will be for three years, while the cover for new two-wheelers will be for five years. Such a move would further

improve penetration of insurance in India as many policyholders either forget or don't renew the policy, posing risk to their lives.

### **What has changed in the compulsory personal accident cover a portion of the policy?**

Regulator unbundled the compulsory personal accident cover (CPA) and allowed the issuance of standalone policies. IRDAI asked insurers to provide a minimum cover of Rs 15 lakh under CPA for owner-driver vehicles at a premium of Rs 750 per annum for annual policies for both cars and two-wheelers. Earlier, the CPA for two-wheelers and private cars/commercial vehicles was Rs 1 lakh and Rs 2 lakh, respectively. These steps were taken in the right direction, but again it increased the premiums for the policyholders and thereby increasing the overall cost of buying a vehicle.

### **Has the issuance of long term insurance policies impacted auto sales?**

A motor insurance policy has three components which are a third-party liability (TP, which covers damage to others), own damage (OD, which covers damage to owner's vehicle), and personal accident (CPA) cover. Third-party and CPA comprise the mandatory part of the motor cover while OD cover is optional.

Though there's no direct connection between insurance premiums and auto sales coming down, such share increase in premiums will certainly pinch people. For example, if third-party insurance is for Rs 2,000 per year, now policyholders need to pay Rs 6,000 upfront while buying the car for three years at one go. We also need to look at the impact of slowing auto sales on the insurance industry.

According to the data from General insurance Council, for the last financial year, the motor insurance saw gross premiums underwritten at Rs 64,454.86 crore as compared to Rs 59,247.97 crore in the previous financial year growth of 8.8%.

Motor insurance has two components, one being a third party (TP) and other own damage (OD). So motor OD saw gross premiums underwritten at Rs 26,473.23 crore as compared to Rs 26,329.88 crore in the previous financial year growth of 0.5%. While motor TP grew by 15.4% in the last financial year. With motor segment one of the important parts of the non-life insurance industry, we need to look at growth in the sector, favourable premiums to policyholders and at the same time slowing of underwriting losses in the motor segment.

### **What does the new rule to be implemented from September 1, 2019?**

As per the Supreme Court order, the Insurance Regulatory and Development Authority of India (IRDAI) were directed to implement the bundling of cover for the Own Damage portion as an immediate necessity from 1st September 2018.

This bundled cover had both essential components, i.e. Own Damage (OD) premium and Third Party (TP) premium. Under bundled cover, a one-year Own Damage component was bundled with a three year and five-year third party liability cover for a two-wheeler and private car respectively.

Before this regulation, the only option was to renew the OD component from the insurer from whom the TP policy is bought. However, with this regulation, renewal of OD policy independently from a different insurer is now possible.

By making the changes in the earlier orders, the IRDAI has asked the general insurance companies to make their customers available with the standalone annual Own Damage (OD) covers for both cars and two-wheelers. Moreover, this new regulation would be applicable not only for new vehicles but also for old vehicles.

### **Will it help policyholders?**

It is also a good incentive for all the policy seekers or policyholders who were looking for standalone options after the bundled policy regulation effectiveness. As after 1st September, the policyholders are not bounded to the same insurer to renew the OD cover in the following year, even those who had bought a bundled policy from a different insurer. Policyholders can renew OD policy as a standalone plan from

another insurer despite having TP from another insurer. And for insurance companies, this regulation offers clarity for providing OD covers to their customers.

The insured need not stick to the same insurer for both OD and TP policy. Rather than continuing with the one you had for the third party, you have a choice to renew the Own Damage part from another insurer as well.

*(The writer is Sunil Dhawan.)*

[TOP](#)

Source

***Car insurance: Know which modification can lead to an increase in premium - Financial Express - 10th July 2019***



If you have a never-ending love for cars and spend significant time modifying your four-wheeler ever since you brought it out of the showroom, you must know that modifications play an important role in raising the premium of your car insurance. The modifications could be anything —from a minor change in the interiors to completely revamping your car with some major alterations. Therefore, it is always better to consider the potential insurance costs that you may have to bear when you decide to modify your car.

#### **Modification in car**

One of the most important and foremost things to know is what all qualifies as modification. A car modification includes any and every change that you make to the original condition of the car. In simpler words, anything that makes your car look or perform differently from its original state is defined as modification. Optional extras offered by the car dealer are also termed under modifications, though any modification made by manufacturer before selling the car are market-approved and do not fall under modifications.

#### **Car insurance**

Insurers use different factors before quoting a final price to the insurance seeker. The two primary areas assessed by most of the insurers include risk of theft and risk of an accident. Modifications such as performance changes that increase the chances of your vehicle getting stolen come under theft risk, while under the risk of an accident, modifications concerning the look and performance of your car are included. Some of the prominent modifications that insurers consider include changes in engine, body-kits, spoilers, sports seats, etc. As per several reports, most of the road accidents in India are caused due to overtaking, high speed and other accident-prone activities. Thus, adding anything that enhances the speed of your car can increase your car insurance premium as well.

#### **Critical changes**

Before making any critical changes in your car such as upgrading the breaks and suspension of your car to improve the car performance, it is important that you inform the insurer. Also, while making modifications to the car's interior like steering, pedals and sound system you need to inform the insurer. As a policy seeker, it is important for you to disclose all the modifications made to your car so that in future in case you make a claim, it is not rejected citing uninformed modifications.

In case you are planning to buy a second-hand car and are not exactly aware of the various modifications already made in the car, it is better to get the vehicle examined by a certified mechanic. The chances of your claims getting rejected are highest in case you do not disclose the alterations to the insurer, intentionally or unintentionally.

Simple and small modifications may not increase the premium of your car by a considerable amount, but certain notable modifications that change the performance of the car may hike the insurance cost significantly. Thus it is crucial to inform the insurance provider about the modifications that you make to your car. This will help the insurer to analyse and decide the insurance premium accordingly.

*(The writer is Sajja Praveen Chowdary.)*

[TOP](#)

Source

### ***Car theft ring gets smart to trick cops - India Today - 8th July 2019***



In April, the South District police arrested three vehicle-lifters and recovered from them 16 cars, including BMW, Toyota Fortuner, Hyundai Creta, Hyundai Grand i-10, Honda City, Honda Accord and Chevrolet Cruze.

Eight pistols and cartridges were also found on them. The kingpin, an MBA who had worked in a Gurugram firm, confessed that he had sent about 50 stolen cars to Manipur after their engine and chassis numbers were changed and fake papers prepared.

On May 25, the South-East District police nabbed two more men and recovered four luxury vehicles from them. They used to survey posh localities and steal high-end cars on demand and send them to a racket in Meerut.

There, engine and chassis numbers were changed before consignments with forged documents went to eastern UP, Bihar, West Bengal and Northeastern states. These two may seem routine cases of vehicle theft but actually involve a fast-growing nexus of some insurance firm agents, scrap dealers and criminals that's targeting high-end cars, mostly from posh South Delhi neighbourhoods.

This is how the 'carnama' works. When a vehicle is damaged in an accident, the insurance agent evaluates its value, pays the owner accordingly and takes original documents and an NOC from him. The vehicle, along with papers, is sold to a scrap dealer through an auction. Damaged cars are dismantled but their engine and chassis numbers, besides original papers, are used in similar stolen vehicles. Now 'legal', the stolen cars are sold. No apparent foul play when they are stopped and checked!

A scrap dealer in west Delhi's Mayapuri admitted, "I have skilled people who do the job in a couple of hours. We don't bother to know details about vehicles and owners. If people give original documents with vehicles, we offer them extra money and bargain with those who don't have anything, because of risks."

Another scrap dealer confirmed that notorious vehiclelifters from Nuh in Haryana and some Western UP towns often come to him. "Insurance agents often give engine and chassis numbers of damaged cars. The value of stolen vehicles goes up dramatically as they enter the used car market. These cars are generally sold in UP, Bihar, West Bengal, J&K, Northeastern states and even in Nepal and Bangladesh," he said.

Cops admit that such cases are coming to them. "Yes, such cases have come to our notice. Sometime back, we seized a Toyota Fortuner. Forensic examination showed that its chassis and engine numbers had been forged. The car was stolen from Chandigarh and had a fake Assam registration number plate," said an official.

### **WHY THEFTS ARE SPIRALLING?**

A total of 44,158 vehicles, including 8,036 cars, were stolen in Delhi in 2018. Though 6,751 criminals were arrested, only 10.46% vehicles were recovered. The total number of vehicles lifted in 2017 was 39,084. This year, till June 15, 16,489 vehicles have been stolen. Only two weeks ago a high-end SUV was

stolen from South Delhi's upscale Defence Colony when senior cops were on a night patrol not far from there.

Cops say half of these cars that include a large number of luxurious ones are stolen from outside people's houses, the Delhi Police's latest data shows. Officials attribute many thefts to shrinking parking spaces in residential areas, indifference of owners and their reluctance to spend on safety devices. Delhi has about 33 lakh cars and jeeps, and the number is rising every year.

#### WHAT POLICE SAY

Rajiv Ranjan, Additional Commissioner of Police of Delhi's Crime Branch, said action was being taken against the nexus. "We are conducting random checks at scrap markets. We have informers who closely monitor the activities and coordinate with local police. When we have leads, we act swiftly against scrap dealers and insurance agents or their companies," he said.

It's a cat and mouse game. Gangs used to push stolen vehicles to Northeastern states. They have started to take them to Nepal, Bangladesh and even Myanmar, in an effort to wriggle out of the police chase, said sources. "We have undertaken several initiatives to catch vehicle thieves. These include identification of affected places and time zones and proper deployment of staff there. Barriers have been put up at vulnerable spots," said an official.

"Manufacturers have been requested to install security devices at showrooms and offices. Parking attendants have also been sensitised and educative advertisements in newspapers and radio channels have been placed," he said.

*(The writer is Ajay Kumar.)*

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Source

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## CROP INSURANCE

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***Gujarat to junk crop insurance scheme, set up own fund - The Times of India - 11th July 2019***



The Vijay Rupani government is set to replace the existing crop insurance scheme and set up a separate fund to compensate for crop failure. The state government has got an in-principle nod from the Centre for the fund, sources said.

While details are yet to be worked out, the fund will have an annual corpus of more than Rs 3,000 crore. Sources said GOI has agreed to continue providing its 50% share of the insurance premium paid to private firms until now.

The move comes on the heels of major unrest among farmers across the state who alleged high rate of rejection of claims by insurance companies and not settling claims for months on end.

In 2018, farmers, the Centre and state government collectively paid Rs 3,031 crore, including Rs 365 crore paid by farmers, towards premium for crop insurance while companies reimbursed claims worth only Rs 2,050 crore. While private companies have been earning a windfall out of premium paid every year, the state government earned the ire of farmers for inadequate compensation of their farm losses. The writer is Kapil Dave.

Source

[TOP](#)

***Fasal Bima Yojana: Govt may put ceiling on crop insurance premium - Financial Express - 11th July 2019***



The government plans to put a ceiling on crop insurance premium after complaints by many states that the insurers were charging very high premiums and that finally is taking a toll on the official budget.

There is also a plan to create a pool from which premiums can be paid to companies so that delay of claims settlement is avoided. These are some of the proposals mooted by the Centre to undertake the necessary changes in Prime Minister Fasal Bima Yojana (PMFBY) guidelines as it plans to roll out the provisions in this kharif season.

“The premium rose to 60% for one crop in a district during last year kharif. If states agree, a maximum limit on premium can be fixed and companies will have to quote below that,” a government official said. If no company participates in the premium bidding process, that crop may be taken off from the insurance list, he said, adding a decision will be based on the feedback from the states which are expected by this week.

The gross premium collected by insurance companies has been increasing every season in past three years (see chart) while the number of insured farmers are either constant or have declined. This puts a question mark on the quotations of the insurance companies. In the last three kharif seasons, the country had faced normal and close to normal monsoon in two years while another year was 9% below normal. But, due to a good distribution of rainfall, the country had record production of foodgrains in 2018-19.

The government has also proposed to create a pool or trust of the premium money collected by the Centre, states and farmers, which were so far been given to the insurance companies. Whenever there will be claims made by farmers, it will be settled from the money drawn from the pool, the official said. The fund collected may be managed by a public insurance company, he added.

“The main objective is to ensure timely payment of claims,” he said, adding this may also dispel the notion that insurers are profiteering at the cost of farmers. Meanwhile, insurance claims worth Rs 9,046 crore (out of about Rs 13,500 crore claims made) have been paid to 80 lakh farmers for the kharif 2018 season under both the PMFBY and Restructured Weather Based Crop Insurance Scheme (RWBCIS), the government said on Tuesday.

The PMFBY, which has a 90% share in the total crop insurance business, was launched in kharif 2016 under which farmers pay a fixed premium of 2% and 1.5% of the sum insured for kharif and rabi seasons, respectively. The premium for cash crop is 5%. The premium is decided through tender seeking quotations from the companies before the start of the sowing season. After deducting the farmers’ share, the remaining premium is paid to the insurers by the Centre and states in 50:50 ratio.

***(The writer is Prabhudatta Mishra.)***

**[TOP](#)**

**Source**

***Crop insurance schemes need better planning - Mint - 10th July 2019***

Crop failure is a common story for farmers across India and the government tries to help farmers reduce this risk through crop insurance. New research, however, suggests that these crop insurance schemes may not be that effective.

In a study published in the Economic and Political Weekly, Meenakshi Rajeev and Pranav Nagendran assess India’s crop insurance schemes by analysing data from the 2012-13 Situation Assessment Survey and examining the performance of the Pradhan Mantri Fasal Bima Yojana (PMFBY).

Between 1985 and 2012-13, the reach of India's crop insurance schemes has been modest. Only 7% of farm households were insured for one crop in 2012-13, a mere rise of 3% from 2002-03. Much of the failure lies in the design of these schemes, which leave out farmers most vulnerable to crop losses.



More than 66% of farm households were not aware of the crop insurance schemes and 21% were not happy with the terms and conditions.

The PMFBY has made some progress in addressing these issues by reducing insurance premiums and expanding the insurance coverage to include more crops and risk factors faced by farmers, said the authors. In 2016-17, coverage in terms of cultivated land increased to 29% from 23% in 2013-14. The scheme, however, remains behind its own target of 50% coverage and, in 2017-18, it even dipped to 26%.

Globally, India is a major laggard. In China, 69% of gross cropped area is insured while in the US, the share is 89%. One of the major bottlenecks in accessing PMFBY is that farmers lack documents and land records to avail insurance. Also, compensation is often delayed, inadequate, and even denied. All these result in farmers facing a severe fund shortage to start their next cycle of crops. As droughts become more frequent with climate change, these concerns need to be addressed.

*(The writer is Sneha Alexander.)*

[TOP](#)

Source

***Lok Sabha: Crop insurance claims of Rs 9,046 cr paid to 80 lakh farmers in Kharif 2018, says Agri Minister - The Hindu Business Line - 9th July 2019***



The government has paid crop insurance claims worth Rs 9,046 crore to 80 lakh farmers for the 2018 Kharif season under various schemes, Parliament was informed on Tuesday.

The government currently offers two crop insurance schemes namely the Pradhan Mantri Fasal Bima Yojana (PMFBY) and the Restructured Weather Based Crop Insurance Scheme (RWBCIS).

In a written reply to the Lok Sabha, Agriculture Minister Narendra Singh Tomar said that Rs 9,046 crore worth claims have been paid to 80 lakh farmers under PMFBY and weather-index based RWBCIS for the 2018 kharif season. He said this was a provisional data and some claims of the said season have not been reported.

“Admissible claims under PMFBY are worked out on the basis of yield data submitted by the state government concerned and under RWBCIS on the basis of weather data from weather stations designated in the notification by the state government,” he said.

PMFBY was launched in 2016 under which farmers pay very nominal premium and get full claim for damages. The scheme is being implemented in most of the states.

When asked if the government had a proposal to take steps to provide compensation to farmers for crop loss under PMFBY by determining a year in which farmers got bumper crops, the Minister said, “no such proposal is under consideration of the government at present.”

However, the government has revised the operational guidelines of PMFBY from Rabi 2018-19 season and rationalised the methodology for calculating the threshold year where average yield data of best five out of seven years are considered for calculation of claim amount, he said.

The insurance unit for calculation of admissible claims has also been reduced to village/village panchayat level to provide claims proportionate to their crop yield damage, he added.

[TOP](#)

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## INSURANCE CASES

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### ***Gujarat: Insurance Company denies claim for cataract to 7-year-old citing alcohol - Newsd - 10th July 2019***



There have been instances where insurance companies come up with a huge number of reasons to deny the claim but the reason given by government-run United India insurance company and TPA MD India Health insurance of denying health claim did not go well even with the consumer court.

They rejected the eye treatment claim for a seven-year-old girl stating that she had developed the condition because of using some intoxicated material like drugs and alcohol. Not only this, but they also cited obesity as one of the reasons for the

girl developing a cataract. The girl's father has however spent Rs 62,388 on the treatment.

In July 2016, the girl Hetankshi had undergone removal of a cataract from her both eyes at Baroda Children Eye Care and Squint Clinic. The insurance company has however rejected the claim sighting conditions of the mediclaim policy. As per the policies condition, treatment of ailments caused due to intoxicating material like drug or alcohol, obesity or intentional self-injury are not covered.

A case was filed by the girl's father Gopal Devpura against the insurance company and TPA at Vadodara District disputes redressal forum for seeking reimbursement of the medical cost.

The forum upheld the arguments that the cataract was not developed due to alcohol, drugs or obesity as the company failed to produce any document supporting their arguments. Also, they observed that the insurance company misinterpreted the condition of the policy to not pay the money.

Also, the court ordered the companies to reimburse Rs 62,236 as treatment cost along with 8% interest and compensation of Rs 3,500.

[TOP](#)

Source

### ***Shell out Rs 50,000 for buffalo's death, insurance firm told - The Tribune - 10th July 2019***

The District Consumer Disputes Redressal Forum, Yamunanagar, has directed an insurance company to pay a claim of Rs 50,000 to a man for the death of his buffalo.

The bench of the redressal forum, comprising president Gulab Singh and members Dr Jawahar Lal Gupta and Geeta Parkash, also directed the insurance company to pay a compensation of Rs 15,000 for deficiency and negligence. The forum delivered the decision on July 4.

According to information, Vinod Kumar of Mehmadpur village in Yamunanagar district borrowed a loan of Rs 1 lakh from the Rashulpur village branch of Allahabad Bank on October 7, 2015, for the purchase of two buffaloes.

After taking loan, he purchased two buffaloes and got them insured with Universal Sampo General Insurance Company Limited through Allahabad Bank.

The validity of the insurance was from September 22, 2015, to September 21, 2018, and the identification tag was inserted in the right ear of each buffalo. However, one of the buffaloes died on August 10, 2017.

The complainant, Vinod Kumar, immediately informed about the death of the buffalo to the insurance company. The veterinary surgeon conducted the post-mortem of the buffalo and the surveyor of the insurance company visited the site. However, when the complainant lodged the claim with the insurance company, it didn't make payment, saying he had failed to handover the original ear tag to the surveyor.

"Universal Sampo General Insurance Company Ltd is a corporate body engaged in the business of insurance for the welfare of the general public and is not supposed to act strictly like commercial organisations by closing the claim case of complainants. The closing of the claim case on flimsy grounds on part of the insurance company amounts to deficiency in service as well as negligence in rendering services for which they are liable to compensate the complainant in monetary terms," the order of the forum reads.

*(The writer is Shiv Kumar Sharma.)*

Source

[TOP](#)

***Firm fined Rs 4 lakh for failing to pay motor insurance claim to Panchkula resident - The Times of India - 10th July 2019***



The district consumer disputes redressal forum directed Future Generali India Insurance Company in Sector 8 Chandigarh to pay Rs 23,000 as compensation for failing to provide claim to a Panchkula resident whose car had caught fire due to spark in the engine. They were also directed to pay the claim amounting to Rs 3.90 lakh.

Complainant Tanvi Sharma, a resident of Sector 4 Panchkula in her complaint to the cops stated that on May 19, 2018, when she was travelling to Panchkula with her family at about 9.30pm, her car suddenly caught fire due to sparking in the front portion and the vehicle was totally damaged in the incident. Fire brigade was also called on the spot and matter was reported to the police, who lodged a DDR. The insurance company was also intimated about the loss caused to the car in question. The surveyor appointed by the insurance firm also inspected the damaged vehicle.

While processing the claim, the insurance company intimated the complainant that there was a claim in the previous policy, which expired on April 19, 2018 and the amount claimed as 20% 'No Claim Bonus' (NCB), on the renewal policy is to be recovered at an additional premium amounting to Rs 911. Thereafter, the complainant contacted the insurance company for deposit of premium as demanded on May 22, 2018, but they refused to accept the amount, she alleged.

Thereafter on June 1, 2018, the insurance company rejected the claim of the complainant on the ground that on confirming the NCB from the previous insurer, it was found that there was a claim settled on the said previous policy and the complainant has misrepresented the fact to avail NCB of 20% from the insurance company. The complainant told the insurance company to settle the claim and to receive the 'no claim bonus' and inspection charges, as desired and that there is no misrepresentation as it can be an online mistake, but the insurance company did not pay any heed.

In its reply, the company stated that the complainant has misrepresented the facts to avail NCB of 20% from the answering insurance company, whereas she had availed a claim from previous insurer i.e. Universal Sampo General Insurance Company and did not inform the same to them while availing the

policy in question. Complainant however, stated that the insurance company never obtained declaration from her regarding the claim previously claimed by her from earlier insurance company.

The forum noted that insurance company “failed to rebut this contention of the complainant by way of producing on record any cogent evidence wherein the complainant had given any wrong declaration on the date of signing of declaration regarding claim previously claimed by her from earlier insurance company.” Thus, this objection of the firm was rejected and they were directed to pay up.

*(The writer is Kamini Mehta.)*

Source

[TOP](#)

***Insurance firm ordered to pay Rs 17.32 lakh to kin of girl who died in Chennai road accident - The Times of India - 9th July 2019***



A motor accidents claims tribunal in Chennai has directed an insurance firm to pay Rs 17.32 lakh to the kin of a 20-year-old girl, who was killed in a road accident in Anna Nagar here in 2017.

A container truck hit the two-wheeler the girl was riding pillion on, leading to her death. The deceased, R Sripriya, was a final year BCA student at the time of the accident.

After perusing the submissions, the tribunal held that the accident was due to rash and negligent driving of the two-wheeler rider and held that the insurance firm with which

the motorcycle was insured was liable to pay compensation.

After taking into account factors such as potential loss of income and future prospects, judge D Sivakumar fixed the compensation at Rs.17.32 lakh.

*(The writer is Srikanth D.)*

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[TOP](#)

***Can't deny third party compensation for lapsed temporary RC, Himachal HC to insurance firm - The Times of India - 7th July 2019***

An insurance company cannot avoid paying the compensation in case of an road accident even if the accident has happened after the lapse of temporary registration of the vehicle concerned, the Himachal Pradesh high court has held.

Temporary registration is valid for 30 days and usually people go for such registration certificate (RC) so that they can run the vehicle on road before they get permanent RC. Usually, vehicle owners buy the insurance policy for the next one year as soon as they get the temporary registration number. Third party cover is mandatory for any vehicle to run on the road.

In an order passed last week, Justice Jyotsana Rewal Dua in the case National Insurance Company vs Kamal Kishore and others observed, “There is no such stipulation or condition therein (in the policy) that the insurer will not be liable towards third party risk for want of valid registration certificate of the vehicle.”

In this instant case, one Ram Krishan was killed and two other passengers were injured when the car in which they were travelling met with an accident on February 2, 2013. Rash and negligent driving were cited as the main reasons for the fatal accident. Interestingly, the fateful car that was purchased on September 29, 2012 had a temporary registration number. The owner had bought the insurance policy,

which was valid for the next one year. But the owner had failed to get the permanent registration number after the lapse of the temporary registration.

The Motor Accident Claims Tribunal of Mandi had awarded Rs 26.4 lakh compensation alongwith interest in this case and had asked the insurance company to pay the compensation alongwith interest in this case and had asked the insurance company to pay the compensation.

However, the insurance company challenged the order citing that there was a breach of terms and conditions of the insurance policy as it was driven without valid and effective registration certificate and fitness certificate. It said the company was not liable to pay the compensation.

However, after going through the legal provision and different court orders, the HC observed that the insurance policy is a contract executed between the owner and the company. "Under section 149 of Motor Vehicles Act, there is no such defence available to the insurer for repudiation of claim on the ground of invalid/ absence of registration certificate," it said.

However, it reduced the compensation amount to Rs 14.62 lakh.

*(The writer is Dipak K Dash.)*

[TOP](#)

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## PENSION

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***Tax exempt status: Pension regulator to roll out campaign on benefits of NPS investment - The Hindu Business Line - 10th July 2019***



With the Union Budget providing the much awaited Exempt-Exempt-Exempt (EEE) tax status to the National Pension System (NPS), the pension regulator PFRDA will roll out a national campaign in the print and electronic media on how NPS is a much superior offering to other super-annuation products, a top official said.

"This budget announcement to tax exempt the entire 60 per cent withdrawal on retirement is a huge boost to NPS. This will help expand the pension market in India in a big way", Supratim Bandyopadhyay, Wholtime Member (Finance), PFRDA told *BusinessLine* here.

Currently, on retirement, as much as 40 per cent of the total corpus amount has to be converted into annuities and the remaining 60 per cent is allowed to be withdrawn.

Prior to the latest Budget, of this 60 per cent, two-thirds was tax exempt, while one-third was subject to tax. Now, after the Budget, the entire 60 per cent allowed to be withdrawn will be tax exempt.

Another significant budget proposal is that Central Government employees will now get full deduction (for tax purposes) of the enhanced 14 per cent contribution that the Centre makes towards their NPS accounts.

To enable Central Government employees to have more options for tax saving investments under NPS, it is proposed to amend Section 80C so as to provide that any amount paid or deposited by a Central Government employee as a contribution to his Tier-II account of the pension scheme would be eligible for deduction under the said section. These amendments will take effect from April 1, 2020

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## Performance of NPS funds to be evaluated by consultants - Mint - 9th July 2019



The NPS Trust will rope in business consultants to conduct a performance review of pension funds as well as portfolio analysis of schemes under the National Pension System. The NPS Trust was established by the Pension Fund Regulatory and Development Authority (PFRDA) for taking care of assets and funds under the NPS in the interest of the subscribers.

In a request for proposal, the NPS Trust said it wants to appoint Business Review Consultant (BRC) to review the existing format for performance review of the

pensions funds (PFs), review the performance of the PFs at prescribed intervals and to undertake their portfolio analysis.

"The appointed BRC will be required to undertake portfolio analysis of all schemes of NPS on quarterly basis and submit report to NPS Trust. The analysis shall identify the key portfolio risks. "The report shall highlight the stressed sectors and companies analyzing the existing market conditions," the NPS Trust said.

The Trust said the appointed BRC should complete the review of the current formants of the PFs and scheme-wise evaluation under the NPS within two months. Among others, the BRC will also be tasked to analyse rating distribution of the securities under NPS schemes as well as to identify fund's credit quality and risks of a portfolio.

Pension Fund is appointed by PFRDA to manage pension contribution of all subscribers under NPS through various schemes. There are in total eight fund managers engaged by the PFRDA: HDFC Pension Management, ICICI Prudential Pension Fund Management, Kotak Mahindra Pension Fund, LIC Pension Fund, Reliance Capital Pension Fund, SBI Pension Funds, UTI Retirement Solutions and Birla Sunlife Pension Management.

The last date for submission of interest under of the proposal is July 24, 2019. The pension scheme came to effect from 1 January 2004 and in the initial phase covered new entrants to the central government services, excluding armed forces.

However, the NPS is now applicable on employees of majority of state governments, central autonomous bodies and some state autonomous bodies. The scheme was extended to all other citizens of India between the age of 18-65 years on voluntary basis from May 2009. Private companies are also allowed enrol their employees under NPS either on mandatory or voluntary basis.

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## IRDAI CIRCULAR

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First year premium of life insurers for the period ended 30th June, 2019 is uploaded on IRDAI website.

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Updated list of corporate agents registered with the authority is available on IRDAI website.

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Updated list of life insurers is available on IRDAI website.

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

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Comments of the Stakeholders on Draft IRDAI (Third Party Administrators- Health Services (Amendment) Regulations, 2019 is available on IRDAI website.

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## GLOBAL NEWS

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### ***Australia: Regulator will pursue all options to rectify failings in bancassurance - Asia Insurance Review***



A review by the Australian Securities & Investments Commission (ASIC) of the sale of consumer credit insurance (CCI) by 11 major banks and other lenders has found that the design and sale of such products has consistently failed consumers.

In a report released yesterday, ASIC's report highlights the very low value of CCI products and the unfair way they are promoted and sold to

consumers. This work forms part of ASIC's broader priority to address fairness to consumers and, in particular, harm in insurance.

ASIC Commissioner Sean Hughes said, "Lenders and insurers have had more than enough time to improve sales practices and provide better value for consumers. An inevitable consequence of these widespread failings and mis-selling practices will involve ASIC taking significant enforcement action against some of the entities named in our report".

He said, "If we do not see early, significant and sustained improvement in the design and sale of consumer credit insurance, our next steps may involve the deployment of our new product intervention power where we see a risk of significant consumer detriment. We also will not hesitate to pursue civil penalties where there has been a failure by any lender or insurer to act efficiently, honestly and fairly. All options are on the table."

#### **Findings**

ASIC's review found that:

- CCI is extremely poor value for money – for CCI sold with credit cards, consumers received only 11 cents in claims for every dollar paid in premiums. Across all CCI products sold by lenders, only 19 cents were recovered in claims for every premium dollar which consumers paid.
- CCI sales practices caused consumers harm.
- consumers were sold CCI despite the fact they were ineligible to claim under their policy.
- telephone sales staff used high-pressure selling and other unfair sales practices when selling CCI.
- Consumers were given non-compliant personal advice to buy unsuitable policies.
- Consumers were incorrectly charged for CCI, including being charged ongoing CCI premiums even though they no longer had a loan.

- Many lenders did not have consumer-focused processes to help consumers in hardship make a claim under their CCI policy.

### Problems and action

The problems identified in the review are being addressed by ASIC in the following ways:

- ASIC is undertaking investigations into the suspected misconduct of several entities involved in the CCI product market, with a view to enforcement action. The defendants to ASIC's future action will be publicly identified at the time proceedings commence.
- Due to the consumer harms ASIC has seen with the unsolicited outbound sale of CCI by telephone, the commission will shortly consult with all interested participants and consumers with a view to ASIC completely banning this practice.
- ASIC's work has led to a significant remediation programme expected to exceed AUD\$100m (\$70m) paid to over 300,000 consumers. To date, over A\$51m has been paid to over 186,000 consumers. ASIC's work to secure further compensation will continue.
- ASIC expects all CCI lenders to incorporate a four-day deferred sales model for all CCI products across all channels, not just those entities that subscribe to the Banking Code of Practice.
- ASIC expects lenders and insurers to design and offer products with significantly higher claims ratios and will continue to collect and publish data to measure improvements.

ASIC's report also sets out important design and distribution standards for CCI sold by lenders. Lenders and insurers are expected to meet these standards or entirely cease selling CCI until they do. Several lenders have already ceased selling CCI.

### Background

In October 2011, ASIC issued a report titled "Consumer credit insurance: A review of sales practices by authorised deposit-taking institutions", which made 10 recommendations about sales scripts, disclosure, training programmes and monitoring systems to reflect best practice and reduce the risk that CCI may be mis-sold to consumers.

In August 2017, ASIC raised concerns about the way in which CCI was being sold. As a result, the Banking Code of Practice now has a four-day deferred sales period for CCI sold with credit cards and personal loans in branch or over the phone, effective 1 July 2019. However, this obligation only applies to those who subscribe to the Code.

In December 2017, ASIC commenced a review of the design and sale of CCI. It required the 11 lenders to undertake an independent review of their CCI sales practices and collected detailed data about the way these products performed for consumers.

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### ***China: Government urged to ensure reduction of social insurance contributions - Asia Insurance Review***



With China expecting to cut down on the social insurance contributions from businesses by over CNY300bn (\$44.6bn) this year, authorities have been urged to ensure the proper implementation of such measures according to a report from Xinhua News Agency citing a statement from a state council meeting earlier this week.

According to China's social insurance law, all employees are required to be covered by the social insurance system which comprises various different funds. Both employers and

employees make contributions to the pension fund, unemployment insurance fund, medical insurance fund and housing provident fund at different rates. However, only employers contribute to funds covering work injury and maternity insurance.

Measures to cut down on the social insurance contributions by employers are part of the Chinese government's efforts to reduce the burden on companies and boost economic growth. The implementation of these measures saw employers paying over CNY128bn less for pension fund contributions, unemployment insurance and work injury insurance premiums in the first half of this year.

However, the state council meeting said that authorities should carry out on-site investigations in companies to determine issues that occur during the implementation process of these measures. At the same time, they should also make sure that employers pay basic pension on time and in full. To improve the sustainability of social security funds, the meeting also decided to advocate the transfer of some state assets including shares of state-owned companies and financial institutions to the country's social security funds this year. Based on a 10% transfer ratio of the state-owned equity, the assets will be transferred to the National Council for Social Security Fund and relevant local entities.

[TOP](#)

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### ***Pakistan: Government-issued insurance card covers health expenses for the poor - Asia Insurance Review***



The newly-created 'Poverty Alleviation and Social Protection Division' of the Pakistan government has introduced a health insurance card in 38 districts to date, reported Pakistan Point News. The card aims to help 3.3m low-income Pakistanis with their medical expenses.

Known as the Sehat Insaf card, it is meant to ensure that Pakistanis have financial access to treatment in defined categories and covers health conditions for women, preferentially. It also seeks to protect the poor against

catastrophic health expenditures via a safety net programme called the Tahafaz.

Pakistan suffers from a wide protection gap as insurance penetration rates are extremely low. At the same time, there is a significant poverty-stricken population in the country. This has led to the government stepping up to help the uninsured/under-insured and poverty-stricken population with healthcare expenses.

A report from Milliman stated that the country's insurance penetration rate was as low as 0.91% in 2016. In that same year, the average rate for emerging markets was 3.2% and the world was 6.3%. Meanwhile, Pakistan's first ever official report on multi-dimensional poverty in 2016 found that nearly 39% of Pakistanis live in multidimensional poverty which encompasses the various deprivations experienced by poor people in their daily lives such as poor health and lack of education.

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[TOP](#)

### ***China: Govt reiterates it will pay basic pensions in full and on time - Asia Insurance Review***

China will fully guarantee the timely payment of future pensions and sustainable healthy operation of the basic pension system, a government official has said. This is the second time since last April that the government has given the reassurance. An official from the Ministry of Human Resources and Social Security (MOHRSS) said this in response to a report on 8 July by China Times, a local newspaper, that said that the government-run basic pension fund will be depleted by 2035, and that those born in the 1980s could be the first generation who would not receive a full pension upon retirement.



The report cited research by the Chinese Academy of Social Sciences released in April that forecast that the urban worker pension fund would be emptied by 2035. At that time, the MOHRSS had said that the "the central government can fully guarantee the pension funds will be paid on time and in full".

China is promoting a series of reform measures to ensure the sustainable and healthy development of the pension system, such as transferring equity in state owned enterprises to the

basic pension fund.

Yet, the government has ordered the reduction of pension contributions in a bid to help businesses ease costs in an economic slowdown. This month, the government slashed the employers' pension contribution rate of as high as 20% of each employee's salary to 16%. The move, however, will cut the basic pension fund's income but the government said it would increase the income through tapping other sources to offset the impact.

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[TOP](#)

### ***China: Insurer offers mutual insurance for chronic kidney disease patients - Asia Insurance Review***

Public Mutual Insurance is eyeing the 130m-strong population suffering from chronic kidney disease (CKD), by offering mutual medical insurance coupled with health management services to ease the burden of patients. The proportion of people who are aware that they have CKD is estimated at around 10% among those who suffer from the disease. Most show no symptoms and thus do not know that they have chronic kidney disease. Generally, once they discover they have the disease, the condition is already serious and the patients require dialysis.

Patients with relatively stable uremic disease, without related complications, need dialysis three times a week, that costs about CNY400 (\$58) each time, plus oral drugs, blood perfusion, etc. They would need to spend more than CNY100,000 per year for uremia treatment. Most health insurance products currently on the market are designed for healthy people. Those with pre-existing conditions are often rejected by insurers. Public Mutual, opened in 2017, aims to use mutual insurance to fill the gaps in insurance. It is offering a product for those in the mild stages of CKD. Guidance is also provided to help them manage the disease.

Ms Li Jing, Public Mutual chairman, said, "The biggest difficulty in developing this product lies in risk assessment, which is to grasp the occurrence, changes and development of the disease in the group with kidney disease."

Public Mutual has, at the start of its establishment, formed a nephrology group mutual insurance project team that studied the CKD experience at home and in several countries and regions. The insurer is working with Shenzhen-listed Jafron Biomedical which is engaged in the R&D, production and marketing of biomaterials and medical devices in this project.

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[TOP](#)

### ***Australia: Consumer body calls for review of health insurers' claim handling - Asia Insurance Review***

The Consumers Health Forum of Australia (CHF), the national body representing the interests of Australian healthcare consumers, has called for a review by the government into the handling of pre-existing condition disputes, following a newspaper report that health insurance funds have failed to meet regulated requirements concerning their coverage obligations.

In a statement released yesterday, the CHF said, “Three health funds are reported in *The Guardian* to have rejected the claims of thousands of people on the basis of pre-existing health conditions without appointing a doctor to review the medical evidence of each case as is legally required.”



Ms Leanne Wells, CEO of the CHF, said, “Whatever the rights and wrongs are of individual cases, this story will further shake public confidence in health insurance. It highlights the need for health funds to be seen to be following the rules rigorously in such cases.”

“This issue goes to the accountability and transparency that should be central to health insurance system and the disclosures should prompt the government to examine the circumstances surrounding these breaches and provide a report to the public.

“Consumers have every reason to expect that the funds to whom they pay thousands of dollars in premiums are behaving with the utmost integrity. “This latest episode underscores the need for a strengthened role for the Commonwealth Ombudsman to monitor health insurance activities which was announced in October 2017. And it’s vital that consumers should check reasons given by their insurer for a denied claim.”

Public complaints against private health insurers are primarily handled by the Commonwealth Ombudsman, which has limited powers and resourcing to tackle insurers. Allegations are that the biggest health insurers have illegally rejected the claims of thousands of sick or injured Australians over seven years, show documents leaked from the Commonwealth Ombudsman.

Private health insurers routinely refuse to pay hospital bills by linking their customers’ illnesses to a pre-existing health condition. But, before doing so, they are legally required to appoint a doctor to review the medical evidence and consider advice from the customer’s treating physician.

A spokesman for the health minister, Greg Hunt, said any reports of improper private health insurance practices were taken seriously. The government had also strengthened the powers of the ombudsman. The Commonwealth Ombudsman said it was “satisfied that we dealt with the matters that were referred to us in accordance with our processes”.

[TOP](#)

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### ***South Korea: Government to implement new insurance rules for foreign residents - Asia Insurance Review***



Foreign residents in South Korea who default on payments for mandatory state health insurance premiums will need to pay for all medical costs on their own, reported Yonhap News Agency citing a statement from the health ministry. Under changes made to the country’s National Health Insurance Act, foreigners who have resided in the country for over six months are required to enrol in the state healthcare programme and pay monthly premiums from 16 July.

Foreign residents will be able to pay insurance premiums individually based on their income and assets with the minimum monthly premium set at KRW113,050 (\$96). However, an overdue payment of insurance premiums will affect their visa extension as well as health insurance benefits.

The ministry also said that the mandatory rule will be temporarily dismissed for foreign students for now. However, they will be required to pay for mandatory health insurance coverage from March 2021. Under the original plan, foreign students were required to pay state health insurance premiums

amounting to KRW678,000 which was regarded as too costly as most students covered under private health insurance policies only pay around KRW100,000 to KRW110,000 yearly.

The new law was brought about in order to prevent foreigners from abusing the state insurance system. There have been cases of foreigners joining the system with the intention of receiving expensive medical treatments while paying minimal insurance fees.

The cabinet, which approved these revisions, said that the government will allow foreign residents with adequate foreign health insurance coverage and other legal arrangements not to enrol themselves in the insurance programme. However, they need to submit applicable documents and demonstrate they will be able to manage medical costs in the country. Prior to these new changes, foreigners who did not work for local companies were given the option of not enrolling in the insurance programme.

[TOP](#)

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### ***Pakistan: New SECP head plans to introduce more compulsory insurance - Asia Insurance Review***



Mr Farrukh H Sabzwari, who was appointed the chairman of the Securities & Exchange Commission of Pakistan (SECP) last November, has said that the financial regulator is working towards introducing compulsory insurance such as motor vehicle third-party liability insurance, group health insurance and occupational health insurance, in the country.

The goal is to raise the insurance penetration rate, and the SECP has been engaging the industry a lot more than it did in the past few years.

In a recent interview with *Business Recorder*, he said, "I agree that the penetration level of the insurance industry is quite

low, and the level of financial literacy in the country combined with the low level of disposable income and saving rates are major contributing factors to this.

#### **Reorganisation**

"I have also reorganised SECP's setup for insurance – splitting product development, regulations and enforcement under three separate teams so we can better focus on development needs of the sector. A three-year comprehensive plan has also been developed in consultation with stakeholders." He commented too on macro goals for the SECP, which regulates the insurance market, the capital market, the corporate sector, non-banking financial institutions, private pension funds, and credit rating agencies, etc.

He said that he aims to turn the regulatory agency into a modern, best-in-class, regulator – one that is independent of political and vested interests; one that practices the highest levels of integrity and fair play; and one that protects minority rights and interests above all others.

He said, "To become a regulator that people are in awe of, we first need to rattle the culture within the organisation. This organisation needs to become a lot more facilitative and customer friendly. We need to change the way we interact with our client base, which is all of our stakeholders. The seeds of this change in culture have already been sown. This is my main message to staff whenever I interact with them: as public servants, are we fulfilling our core responsibility, which is to serve the public and help resolve whatever issue is presented to us?"

"In my opinion, one big reason for SECP's legacy problems is the constant change in leadership, due to which despite some good measures from the past leadership, the organisational culture did not evolve enough to keep up with the times. In the past seven years, for instance, top leadership was changed five

times. Any organisation will lose its sense of purpose in such an environment.” Mr Sabzwari's term lasts for three years. On starting at his post in January, he said that among the first things he did was to look at the regulatory framework. He said, “Some of the regulations were onerous. While this is still work in progress, trying to make regulations more user friendly will continue to be front and centre of what we do even over next few months.”

Mr Sabzwari also said that the SECP has been spending time and money on upgrading IT systems and processes in a project christened LEAP – “Leading Efficiency through Automation Prowess”. The goal is to make the SECP the most technologically advanced regulator in the region and in the process ensure that we make the organisation a paperless environment. Among other things, LEAP will also offer online supervision of entities regulated by the SECP. He said that the SECP is also moving towards the direction of sharing data.

[TOP](#)



### ***Thailand: Regulator proposes mandatory insurance for tourists - Asia Insurance Review***



Thailand's Office of the Insurance Commission (OIC) is expected to introduce compulsory travel insurance for foreign visitors this year, according to a report from the Bangkok Post. The insurance policy is intended to boost confidence among tourists following a series of accidents involving foreign visitors.

According to reports, a ferry disaster in Phuket which killed 47 Chinese tourists last year brought about a huge dip in visitor numbers from China which is Thailand's largest

tourism market. Overall visitor numbers were also affected after a bombing in 2015 and a military coup in 2014. The tourism industry is a major source of income for the Thai economy and its outlook looks promising this year. The government is expecting over 40m foreign visitors who will be bringing in THB2.13tn in revenue.

If the insurance policy is implemented, visitors will be required to purchase the policy at immigration offices in airports for THB20 (\$0.65) each. With a maximum duration of 30 days, the travel insurance will offer up to THB1bn of coverage in the event of death. In the event of claims, premiums collected from the insurance would be directed to the country's Tourism Promotion Fund for covering payments. However, the Tourism and Sports Ministry will need to approve the insurance first before the proposal is forwarded to the cabinet.

[TOP](#)



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