भारतीय बीमा संस्थान
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QUOTE OF THE WEEK

"Thousands of candles can be lighted from a single candle, and the life of the candle will not be shortened. Happiness never decreases by being shared."

Buddha

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Annualized Premium

Definition: The total amount of premium paid annually is called the annualized premium.

Description: Any insurance policy comes up with many premium payment options. Premium can be paid monthly, quarterly, semi annually and annually.

For instance, if the monthly premium is Rs 2000, then the annualised premium will be 2000*12 = Rs 24000.

Source

INSURANCE INDUSTRY

BS Insurance Round Table: Sandbox opens up avenues for bundling services – Business Standard – 27th February 2020

The insurance **industry has been asked by the regulator to focus on the** insurance **business and get some money out of it. Your views**

Bhargav Dasgupta: Pricing (for the industry) was freed up in 2008. We have grown well at a time when pricing has collapsed in a few segments, particularly in the corporate line. So one way to look at it is that underwriting losses were made up by investment income. But while the topline has grown at compounded annual growth rate of 17 per cent, the bottom-line, which is profit after tax has reduced by 12 per cent compounded.

In the long-term you have to focus on underwriting profits because that's the core of your business. If you earn a premium of Rs 100, you must make at least Re 1 as profit, which means your combined ratio (for measuring profitability in the insurance business) must be 99 per cent, but the industry is operating at about 118 per cent (and running at a loss). Unfortunately, it does not leave enough capital to scale up, invest, and add new innovative products. Companies that keep on losing money will gradually become less and less relevant. The industry has to focus on underwriting profit, this will benefit not only the companies but also policyholders.

Will predatory pricing kill marginal smaller players?
Dasgupta: Yes.
Anup Rau: When you are fighting for your market share I think the laziest thing to do is to compete on pricing or to compete on commissions. At some level it also displays lack of imagination, innovation and customer focus. Unless you actually revisit the way we look at customers, this will continue to be a challenge. Unless you stay focused on having innovative products and processes, and give the customers a better claims experience, this problem will persist.

What is your outlook on the industry?
Sanjay Kedia: There's always two sides of the story and what the policyholder says it wants is innovation. The regulator has allowed freedom in coverage to the insurance market, but the insurance market is yet to take up this opportunity and offer tailor-made coverage for different industries and customers. Corporate India tremendously benefited after de-tariffing from 2008. The premium rates drastically fell.

But what has happened in the last couple of months is a very big shock. They are going through a downturn and there has been a change in terms of GIC-led reinsurance (rates), which has made property insurance more expensive, on an average a minimum of two times to as much as 10 times. Corporate India is saying that the regulator allows competition, but this takes away competition completely from the insurance market. Also the challenge for customers is that there is no competition, no coverage improvement and complain that claim settlement speed isn't good enough. So with this, mistrust in the insurance sector has increased in last three months.

The regulatory sandbox, which IRDAI is experimenting with, how do you see it pan out?
Anuj Gulati: Time to time the regulator has allowed for some product innovation, but I don't think we have been able to take a big bang approach. That's where sandbox becomes interesting. It opens up avenues for bundling a whole bunch of services and newer ways of distribution with insurance companies. With new-age technology being available, it will also open up new distribution avenues.

Rau: At Future Retail's Big Bazaar and other retail formats, customers can buy insurance at the billing counter. Somebody who is shopping can buy a product to protect himself or herself from mosquito-borne diseases. We call that a vector product. There's baggage insurance, where everything in the bag is covered. Innovation has been happening with respect to channels of distribution, more than for products.

Dasgupta: One of the products that we've got approval for is a motor insurance product, where you pay your premium based on the quality of your driving. It's not just about how long you drive—the number of kilometres but also the quality of your driving. And over the years, we've been experimenting with devices to figure out the quality of driving and correlate that with risk, in terms of claims.

Why is there mistrust when it comes to health insurance?
Gulati: Earlier when you went into a hospital to a TPA desk and said, I'm from insurance, typically the charges would be much higher. There is a realisation that as we account for a larger share of a patient's hospital bill and their overall revenue, our ability to work with them and offer more standardized fare services improves. From the regulator's side, there's been a lot of work that has been done, in terms of permanent exclusions and so on. The grievances (from patients and hospitals) helps the industry review the products continuously and with the regulator, continue to standardise the product. There's also a request to consumers –when you buy a product, please declare. Over declaration will not hurt you, but under declaration leads to unnecessary delay at the time of claim.

From the distributors' point of view, what are the risks?
Kedia: Property risks (are high) because of poor fire safety. But business interruption losses are going up. As a thumb rule, I can say in the last ten years, two-third of the loss of the insurance market, for corporate consumers, comes because of the business interruption losses not because of the property damage. The need of the consumer is increasing on non-damage risk issues. The Coronavirus is an example of a pandemic risk. Also, customers are concerned about supply-chain risk issues. When a risk opens up in Japan (for example), businesses in India in spite of having carried out supply-chain risk analysis, say that if this issue continues they will run out of critical supply parts.

Many businesses are at the verge of this supply-chain risk. This is a big opportunity for the insurance market. Cyber risk is the fastest growing insurance line across the globe. India will catch up. The new data privacy laws will create a very different level of demand. In the insurance market we will have certain areas of risk going away, but there are new areas coming up, particularly out of the sectors such as technology, litigation, and (simply because of living in an) interconnected world.

What innovations do we need to ensure that we don't have lazy insurance in the country?
Rau: When it comes to any product or service, you're talking about the proposition which is very important. The second thing is, the buying or selling process has to be frictionless. Now, whether it's through technology or without technology, online, offline or using AI or not, it doesn't matter. For example, health insurance isn't really attractive for the younger age group because the proposition is weak. Secondly, certain kinds of products, they are just not accessible easily.

We did a survey on our customers using some health products on why they bought the product? The answer was because nobody else came to us, which is not a great place to be in. It means, we have a problem with the delivery of the distribution channel. So the conduit is the issue.

TOP

Source

Actuaries to drive IFRS 17 implementation & assess impact of climate change: Sunil Sharma - The Economic Times – 26th February 2020

In a candid and insightful conversation with ETBFSI, Sunil Sharma, President, Institute of Actuaries of India and Chief Actuary at Kotak Life shares his perspectives on the road ahead for actuarial profession, role of actuaries in implementing IFRS 17, assessing the impact of climate change, and the buzz around shortage of actuaries in general insurance industry.

Q. What's the way forward with the actuarial profession?
The key theme for the actuarial profession going forward is on discussing and deliberating on the climate change and its impact on the business models, digitalisation and how technology is changing the business models and customer expectations based on instant gratification affecting businesses.

Traditionally the whole insurance business is based on underwriting and assessing the person, can a person be accepted for cover or not, so whole traditional model will change over a period of time.

Hence, Insurance companies have to adapt and decide various tools they can use to simplify underwriting process. Can the decisions be based on predictive modelling, machine learning, what percentage of business can go for auto underwriting?

Thoughts are also on how India can become a global hub for providing actuarial services, lot of outsourcing centres are there in India and for core actuarial services you got various companies working in India providing actuarial services to their offshore partner. Metlife is a classic example.

Q. How will actuaries **play a role in implementing IFRS 17?**
Actuaries will play a significant role in implementing the IFRS 17 (International Financial Reporting Standards) helping Indian business to be easily compared with the global business as the reporting standards will be similar. It will change the way business will be done as the reporting is highly actuarial oriented reporting in IFRS 17.

So far Chartered Accountants were mainly involved in working on financial reporting while actuaries were involved in assessing the liabilities of the policyholders, how reserves are sufficient to meet future liabilities and also ensuring the solvency of the company. Once IFRS 17 will be implemented, actuaries will be involved in financial reporting because the reporting will be more technical and detailed compared to current reporting. Institute of actuaries already has an advisory group on IFRS 17 to assess its implications, to help industry move towards IFRS 17. The advisory group is actively working with the regulator for various changes to be brought on regulation.

With IFRS 17, whole solvency regime needs to change. Current formula based solvency method is going to change. Solvency will move to risk based capital like Solvency II norms which are there in Europe. India will have to move to similar reporting. Institute would be willing to contribute to ensure risk based capital norms is defined and whole solvency of the company is measured on updated norms of risk based capital.

Q. There is a buzz around shortage of actuaries in general insurance industry. What's your take?
There is no shortage of actuaries. We have got 460 qualified actuaries. Think of how many are actually required since we have got 60 insurance companies, 34 general insurance so there is no dearth of actuaries as of now. It's just that general insurance industry was not employing actuaries in past.

It’s like chicken and egg situation. If you don’t employ actuaries in a company, you can’t say there is shortage. So it’s up to general insurance companies to really employ actuaries to solve their problems.

If anyone wants to hire actuaries, the institute is fully geared to help them hire the actuaries. We also have actuarial job portal which is a very user friendly tool wherein employer can search the resources and CV of the people who are looking for jobs which gets updated periodically. This platform helps us connect the employer and the actuarial resources.

Q. What are the challenges to overcome and rightly assess the impact of climate change on the business?
There are uncertainties around the climate change. It requires analysis of various parameters, data sets, leading to the emergence of unpredictable climate patterns.

It’s just not actuarial its lot of geographical analysis and figuring out the impact of any change let’s say on incident rate of accidents, health impact or if drought happens, what will be its effect on crops, since crop is a critical part of insurance, how climate change will affect the yield per hectare and the impact on the cost to the farmers.

I don’t think at the moment we have sufficient data to completely predict that. It’s an ongoing process keep collecting the data, look at what is impact and see how good really you provide for the climate change so lot of work has to be done, that’s the scenario across the world not just in India.

We are just contemplating if we need to have a separate advisory group just to look at climate change or perhaps give this as one of the topics to the insurance advisory group, but we would really start looking at what data we have and what more is required and how can we correlate data with the outcome over the incident rates which gets insured.

Q. What kind of support you seek from the government and regulators?
The Institute does not need any financial support from the Government but speaking from the global experience, Government needs to think about Government Actuaries Department (GAD) which is present in most of the countries like the UK and US. It will help the Government in terms of social security, budget planning, annuities, pension, and health insurance; because actuaries are trained in the long term cash flows and Government would benefit from that skill set in terms of planning.

Health Insurance is very critical from a political perspective and from the social security standpoint. So may be more involvement of actuaries can be there. If Government has got its own Actuarial department, some of these social security schemes can be analysed better from the risk management perspective and the resources perspective.

(The writer is Ishan Shah.)

TOP

Source

DPIIT notifies 100% FDI in insurance intermediaries under automatic route - Business Standard – 25th February 2020

The Department for Promotion of Industry and Internal Trade (DPIIT) on Tuesday notified the government's decision to allow 100 per cent foreign direct investment (FDI) in insurance intermediaries.

Intermediary services include insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrators, surveyors and loss assessors.

The FDI policy earlier allowed 49 per cent foreign investment in the insurance sector, which includes insurance intermediaries.

In its press note, the DPIIT said 100 per cent FDI is allowed in insurance intermediaries under automatic approval route.

It said that insurance intermediary that has majority share holding of foreign investors shall undertake measures including incorporation as a limited company under the provisions of the Companies Act 2013; at least one from among the chairman of the board of directors or the CEO or principal officer or MD of the company shall be a resident Indian citizen, shall take permission of the IRDA for repatriating dividend, and shall not make payments to the foreign group or promoter or associate entities beyond what is necessary or permitted.

Representations were made to the government that these intermediary services should be treated at par with other financial services intermediaries, where 100 per cent foreign investment is permitted.

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Source

INSURANCE REGULATION

Sandbox Insurance: How this regulatory reform would benefit customers – Financial Express – 27th February 2020

The draft regulations for the creation of a regulatory sandbox was taken by the Insurance Regulatory & Development Authority of India (IRDAI) on May 18, 2019, to allow a conducive environment for insurtech and fintech companies to carry innovation in the insurance space.

The insurance regulator has proposed the regulatory changes for encouraging the use of new technology as a part of the insurance sector. The IRDAI has also constituted regulatory reforms for examining innovations in the use of wearable /portable devices in the insurance sector.

To ensure the InsurTech Sandbox, the Sandbox Committee has taken into account the regulatory issues involved in the use of technology, the methods adopted by regulators and the feedback from the insurance sector.

Few of the products which are approved by the Sandbox Committee are motor insurance on the basis of distance, health profile-based pricing, wearable fitness tracker, health insurance and co-pay model, AI-based apps and others.

Currently, the premium of a motor insurance policy is dependent on the model of the vehicle. How well it's going to be if one gets the insurance cover for distance traveled by car. Through this Sandbox insurance policy, the premium would be charged based on kilometers or the amount of time the car is driven.

One of such startups – Letstrack, a vehicle security system is happy to hear the new test products by the insurance regulator.

Started and based at Stratford, East London, UK, with a vision to make our society safer, happier and more productive, Letstrack has launched its app and devices in India for B2C and B2B consumption that will change the way we do things in our everyday lives.

Expressing his views about the same, Vikram Kumar, Founder & CEO, Letstrack, said, "This will set a new pace to the already booming tracking based analytics industry. We are working with lots of financial institutions and insurance companies but now it will make sense for all the insurance companies to use our expertise in the field of data analytics."

(The writer is Amitava Chakrabarty.)

TOP

Source

LIFE INSURANCE

BS Insurance Round Table 2020: No major impact of tax change, say experts – Business Standard – 28th February 2020

Given that individual taxpayers have been given the option to do away with tax incentives and pay a lower flat rate, what will be the impact for the life insurance **industry?**

Yashish Dahiya: I don't think the protection segment will be that impacted. But one of the reasons for buying an investment product was tax incentive. From the consumer perspective, some attractiveness will go away in the future years, not this year, and there'll be some continuity for a few years. It is both an opportunity for the industry to look more at innovation, look more at protection, but it's a challenge from a lot of investment points.

RM Vishakha: Tax incentive was actually some kind of a motivation to individuals to be more careful and to be more risk aware and to protect their families. I think this is a disservice to customers at large. As a country, we're not very risk aware, and if we take away even the incentives, I am worried about how are we going to be creating that entire risk management awareness to a customer. From an insurance company's point of view, we will find another way obviously, we will find different ways. We will figure out how to sell better.

Suresh Badami: The reason for which the Indian customer is buying life insurance is not tax saving. It could be in terms of planning for exigencies, improving quality of lifestyle, or for child education. There's been a lot of innovation which has happened in terms of savings. Clearly on the annuity and the protection side there are a lot of products which people do go back and buy.

Abhijit Gulanikar: We have not received any pushback from our sales team or heard that tax is the first thing that gets pitched now, when insurance is getting sold.

NS Kannan: I actually don't see any impact whatsoever because of this change. In the short term, I think it makes sense for the bulk of the customers to continue with the exemption regime. The issue will only arise when we are forced to shift to a new regime of no exemptions at all. The protection product will absolutely have no impact, because it is always sold on a need basis and not on a tax platform.

Raj Kumar: With 55 million income tax payers and every year 30 million policies being sold; tax becomes irrelevant. The high net worth individuals (HNIs) are not bothered about this. Then there are rural customers who are not supposed to file an income tax return. Then there is the middle segment, which I believe has already been tapped and only the newcomers' may be interested in these exemptions. In the long term, we have to educate the customers that life insurance is for protection, not for the tax savings and the saving part was an added benefit.

Only in the insurance industry, the FDI limit has been capped at 49%. Do you think it should be relaxed?
Kannan: Increasing 49 per cent to a higher percentage is a reform that has happened in other sectors. Insurance industry will continue to consume capital. So if you can attract large pools of capital from abroad, it's a good thing for the industry as a whole. If you look at the three four listed players here in life insurance industry, we have all grown anything between 40 to 60 per cent. It is good for us as a country to take advantage of this situation and attract foreign capital.

Gulanikar: It is better to have an open economy with more competition coming. We need to cross the bridge when it comes. But if 20 per cent plus needs to be divested, and not enough time is given, I don't know who has that much money to invest in.

Vishakha: It is very important, especially for companies which are not yet listed. When they go for listing, and if the FDI limit is capped at 49 per cent, they may not attract any FIIs.

Badami: Life insurance as a long term saving product leads to a huge corpus which the government can tap for infrastructure and many other such areas. I would think that yes, if you are able to open the sector to a 74%, like maybe some of the other sectors, it will add a lot of value. And maybe the foreign players who come in will bring with them their core strengths, and it will add a lot more value in terms of what we can do in the industry.

Dahiya: If you don't run a business well, and you lose out because of that, that's one issue. But if it's because of just access to capital, I think that's a pretty sad situation. FDI has only benefited every sector. So what's the big issue?

How will LIC IPO impact the industry?
Kumar: The discussions were on for the last four-five years. But it was not known when the announcement will come. So, it was a bit of surprise because now government has announced that they are going to diverse between 5 to 10 per cent.

Is it easy for you to go for an initial public offer (IPO)?
Kumar: There is a perception that our investments are determined by the Government of India. No, it's not like that. Investments are determined by LIC Act and Insurance Regulatory and Development Authority of India (Irdai) regulations. Till now we have not received any formal kind of communication from the government, but I believe that they have started some exercise at the ministerial level. The government has a very clearly said that we would like to have happened in the second half of the next financial year. For the first time LIC is doing an IPO and we don't have any expertise and experience how the IPO works probably so we have to get some information from the industry or the other segments of the market from where IPOs have happened. We have never calculated embedded value because we were not required to. It came on February 1 and presently we are on the job of managing internal perception. We have to talk to 1.2 million agents, and we have to talk to 110,000 employees. On February 2 itself, the finance minister has gone on record saying that sovereign guarantee will not be affected.

How does the LIC IPO change the rules of the game?
Dahiya: LIC is a fairly competitive, very competent, very high technology investment organisation. Usually, an IPO makes entities more competent.

Badami: Frankly, any listing will bring forward more disclosure and bigger transparency. Whenever somebody like an LIC lists it will bring is a lot of innovation and dynamism in the market, because there will be a lot of push and pull.

Kannan: I feel that IPO or no IPO and LIC is one of the toughest competitors in the industry. About 20 years of liberalisation even now, if you look at the total receipt premium on the first year basis, they have a 70 per cent market share. It is a behemoth and it's probably the best known retail financial services brand in the country. We are very minnows and they have done a fantastic job. So, I think the industry will be competitive and LIC will be a very, very significant player IPO or not.

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Source

IRDAI considers allowing life insurers to offer indemnity health insurance plans – The Economic Times – 27th February 2020

Soon life insurers may be allowed to offer indemnity-based health insurance policies also. A committee has been set up by the Insurance Regulatory and Development Authority of India (IRDAI) to study the feasibility of allowing life insurers to offer indemnity-based health insurance policies. Currently, IRDAI (Health Insurance) Regulations 2016 allow life insurers to offer defined benefit-based health insurance products only.

Indemnity-based health plans are basically those insurance policies where the insured is reimbursed the actual expense incurred during hospitalisation up to the total sum insured under the insurance policy.

According to a IRDAI press release, issued on 25 February 2020, "Insurance Act, 1938 vide Insurance Laws (Amendment) Act 2015 recognised Health Insurance as a separate class of business. Historically Health insurance is recognized as one of the important elements of health care and health insurance premiums have been registering a significant CAGR of around 20% in the preceding 10 years in India. IRDAI (Health Insurance) Regulations 2016 allows Life Insurance Companies to offer Benefit based health insurance products only. Representations have been received from Life Insurance Companies to allow them to offer indemnity products as well."

Santosh Agarwal, Chief Business Officer, Life Insurance, Policybazaar.com said, "As per the new proposed regulations by IRDAI they will consider allowing Life Insurance Companies to offer indemnity-based health insurance products, through which they will be able to bring in the knowledge of long-term pricing to the table for customers. Through the drafted regulations, life insurers may be able to implement the actuarial models and review the price periodically say every few years or so instead of doing it every year. India being one of the least penetrated health insurance markets, this move will help simplify the process for policyholders."

The nine members committee has been asked to submit its recommendations within two months of issue of this order, according to the press release.

The committee has been asked to review the following aspects:

- Feasibility and the business scope for Life insurance companies to offer indemnity-based health insurance products;
- Extant statutory provisions that are applicable in this regard;
- Any other matter as permitted by the chairperson

What are indemnity-based health insurance policies?
Indemnity-based health policies are basically those insurance policies where the insured is reimbursed the actual expense incurred during hospitalisation up to the total sum insured agreed under the policy. This means that the policy pays the money that is spent on the treatment within the limit of the sum insured. Indemnity type health insurance policy can be a regular individual health insurance policy or a family floater policy.

So, generally, when you opt for cashless hospitalisation policy, you have to pay a certain fixed amount at the hospital (the deductible amount) and the rest is paid by the insurer. However, in case if you have not opted for the cashless hospitalisation policy, then you need to submit the necessary medical reports, bills paid and other required documents based on which the insurer reimburses the expenses.

(The writer is Navneet Dubey.)

TOP

Source

Should you buy more than one life insurance policy? – Financial express – 26th February 2020

Life insurance is meant to help your family members who are dependent on you for their financial needs. The policy ensures that they do not face financial hardship in your absence. The loss of life of an earning family member is devastating enough.

Life insurance provides insurance cover for many years. The question is, should the requirement of insurance change as times go by? Remember, as times change, your capacity to earn changes, family's structure changes, the requirements change. Then, how your existing life insurance may fulfil your need when the situation changes in future? Let's find out how to manage your insurance need with the change in the situation.

How much cover you may need?
While there is widespread awareness about the importance of life insurance, the required amount of coverage is often neglected. The size of life cover should take into account factors like income, the number of dependent family members, family's financial need, current, and future expenses, loan repayment obligations, financial planning, etc. The thumb rule to select a life policy suggests around 10 to 15 times your annual income.

Should you get multiple life insurance policies?
If your financial responsibility increases in the future, then you can simultaneously increase the insurance cover by buying another life insurance policy. This will increase the sum assured. Buying multiple insurance policies is a good idea. Let's take an example. Suppose you are a bachelor who just joined a company. Newly-employed youths hardly care for life insurance, but this is the right time to take it as the premium is very low at a younger age. Buying insurance when you are older may cost many times more.

After a few years, the young person marries and has a family. The sum assured under the existing insurance policy may not be sufficient to protect the family's financial need adequately. In this situation, there are two options. Either close the old one and buy a new one with a bigger sum assured or buy another insurance with a smaller sum assured and keep the existing one running. The problem with the first option is that the new insurance will cost more as you are older than when you bought the first insurance. In the second case, buying other insurance will cost you a little more proportionately, but your existing policy will remain valid. Hence the combined cost for the same sum assured will be less in the second option.

Important point to keep in mind
When buying an insurance policy, ensure that you are neither under-insured nor over-insured because both the cases have demerits. Staying under-insured can expose your family to financial risk, whereas over-insurance may cost you an extra premium.

While selecting the life insurance policy, don't forget to check the claim settlement ratio of the insurance provider. A company with a higher claim settlement ratio should be preferred.

Finally, while having multiple insurance policies is a good idea, do not overdo it. A part of your income must go to investment for wealth building. Insurance is protection against any future eventuality, but the investment is used to build wealth as per your financial goals. Few insurance policies combine insurance and investment. ULIP is one such product. While it is advisable not to mix insurance and investment, you can check with individual ULIPs and study their performances over time if you want to invest in it.

(The writer is Niraj Jain.)

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Source

Your Money: Buy insurance for financial protection, not for saving taxes – Financial Express – 25th February 2020

If you do a dipstick survey just to evaluate the term life insurance buying behaviour of people in India, you may find that over 60% of taxpayers have invested in term life insurance. However, there is a flip side of the story! Nine out of 10 people who hold a term life insurance policy would have bought it for the wrong reason: Saving tax. And to be precise, tax savings motives are found to be positively related to the purchase of term insurance policies.

While most Indian consumers are influenced by emotional factors, their purchase behaviour is influenced by rational factors. This is a major reason why in India term life insurance is frequently seen as a tax saving tool instead of its actual implied long term financial benefits. It has also been concluded in several reports that people are not buying term life insurance for risk mitigation or for future needs like everyday expenses, children's education and marriage in case of sudden death of the policyholder.

The last quarter of the year (January to March)—when most people are in a rush to submit their tax saving documents—remains the busiest as over 70% business gets transacted during this period. The reason being, premiums paid towards a term life insurance policy quality for tax exemption under Section 80C of Income Tax Act.

Tax saving isn't the core

The core objective of term life insurance isn't tax saving, it's actually 'protection'. And protection is not just limited to financial protection in case of death of the policy holder, as a term plan even provides protection against disease and disability. A term life policy acts as an income replacement tool for the family in case of sudden death of the policyholder. The importance of having a life insurance plan and especially term insurance is such that even seasoned financial planners suggest taking a term cover even before starting to invest in long-term financial goals.

Death is unavoidable. In the face of tragedy, the least you can do for your family is to secure their financial future. One of the most important aspect of term life insurance that one needs to factor in is that it looks after your loved ones even after you're gone. If you don't want your family to deal with financial liabilities during a crisis you must invest in a term life insurance policy. Any outstanding debt—a home loan, auto loan, personal loan, or a loan on credit cards—will be taken care of if you happen to buy the right life insurance policy.

Enhanced protection

Yet another enhanced protection that the insured gets when purchasing term insurance is Critical Illness (CI) Benefit. There are numerous term plan options available in the market that offer policyholders cash pay-outs on being diagnosed with major illnesses like cancer, stroke, heart attack or multiple organ failure. The benefit covers both hospitalisation and non-hospitalisation expenses, and it may also provide much needed cash flow during the recovery period.

To mitigate the possibility of being left without an income, you can avail special riders as part of your term insurance plan in the event of disability. The rider will give you a monthly income for a fixed tenure or lump sum pay-out on the occurrence of permanent disability. The amount that the benefactor gets completely depends upon the criticality of the disability. In the case of total disability, the insured gets the full sum assured, while in case of partial disability, the insured only gets partial sum assured.

(The writer is Santosh Agarwal.)

Source

TOP

How is life insurance premium calculated? - The Economic Times – 25th February 2020

The premium that you have to pay for a life insurance policy depends on various factors like age, total coverage (sum assured), your medical history, gender, lifestyle, and job.

However, the premium for the same life insurance coverage amount will vary from insurer to insurer.

Why is it that the premium quoted varies? How is the premium on a life insurance policy calculated? Read on to find out.

What is life insurance and why you pay a premium?
A life insurance policy is a contract between an insurer and a policyholder. To make the contract valid, a premium amount is paid by the policyholder at the time of buying the policy and later at agreed intervals of time, depending on the frequency and mode of payment.

Life insurance is a way to provide your family (the nominees) financial support in case of the insured's untimely demise. Generally, in the case of death the policyholder during the policy term, a pre-agreed amount (sum assured) is paid to the nominee.

Keeping the above view in mind, you must understand the following three important factors that are key determinants in the life insurance premium calculation for every insurer. The premium amount differs among insurers due to these factors when you compare their policies for the same coverage/sum insured.

1. Mortality and underwriting process
The process of underwriting determines your life insurance premium. In the underwriting process, various factors are taken into consideration like your age, gender, occupation (whether or not you are associated with a risky profession), lifestyle, policy tenure, any hereditary diseases in the family, and so on.

Rakesh Goyal, Director, Probus Insurance said that every insurer has a different underwriting process and assess risks differently. He explained, "Based on the assessment, each insurer may categorise the risk differently for the same profile, according to which they decide the lower or higher premium for their life insurance plan."

Apart from this, life insurance premium is also calculated on an actuarial basis (a mathematical and statistical method to assess risk in insurance) that considers the probability of death occurring at particular age levels.

Santosh Agarwal, Chief Business Officer- Life Insurance, Policybazaar.com said that there is no methodology or standard formula to calculate premium as such, however, the insurer determines the risk of death associated with the person in the underwriting process and charges the premium accordingly. "It is assumed/estimated on the basis of the fact that for a 50-year-old person the premium will be usually higher as compared to a person of a younger age as broadly the insurance premium is determined on the basis of their probability of falling ill, any existing diseases, etc.," she added.

2. Expenses and profit margins
The premium amount varies across several insurers because the premium not only depends on the factors related to the policyholder but also on factors related to the insurer, that is, the expenses incurred by the insurer in writing the policy. "For life insurance plans the premiums may differ because insurers will have different cost structures, assessment of risk and investment returns. So, although the factors used to determine premium are the same the outcomes will be different," says Kapil Mehta, CEO, SecureNow.in

You may generally not notice the expenses factor in your premium amount. However, you must know that the operational cost is also added to the policy premium.

The operational costs may include office expenses such as the cost of policy document, the insurance agent's commission, and other overhead expenses of the insurer.

Agarwal said, "Once the insurer arrives at the risk cost analysis factors related to policyholder, the insurer adds expenses to the insurance premium. Generally, insurance companies add operational cost along with the expected profit margin to arrive at the final premium amount."

The profit an insurance company can make from an insurance policy plays an important role in deciding the final insurance premium of your life cover plans. This is why premiums for the same amount of coverage from insurer to insurer varies.

3. Exigency element
Different factors are involved while calculating life insurance premium. One of the minor contributors to the premium is contingency charges. For instance, the number of claim settlements cannot be estimated, that is, how many claims an insurer will receive during the year is actually not known.

Goyal said that although contingency contribution to premiums is not too much for policyholders individually to bear, it does play a significant role for an insurance company. In case of unforeseen or unavoidable situations or an unanticipated large number of claims in a year, the inclusion of contingency factor in the premium spread over a large pool of customers helps companies to maintain their finances. He said, "Some of these unpredictable instances include death claim settlement ratio, natural or man-made perils, changes in the regulation, new amendments, failure of a newly launched product as expected, and so on. Consequently, it can ultimately put the insurance companies' investment at stake."

Hence, this way contingency part of premium charged also adds value to the financial and investment stability of the company and at the same time adds minimal value change in the premiums.

Should you opt for a life insurance policy on the basis of lower premium?
Ideally, claim settlement ratio should be a good starting point for short-listing insurance plans. This is because a higher ratio gives you the assurance that at the time of claims, it would have a greater chance of being approved.

Mehta says, "For term insurance, pick insurers that have over a 95 percent claim settlement ratio and the lowest premium. For other life insurances, look at these three factors: a relatively higher implied investment return projected in the illustrations, a high death benefit provided and relatively lower surrender charges."

(The writer is Navneet Dubey.)

TOP

Source

Check the IRDAI death claim settlement ratio of life insurers for the year 2018-19 - The Economic Times – 24th February 2020

The main purpose of buying a life insurance policy is to make sure that after your death, your nominee or legal heir gets the sum assured. It should not be the case that after you die, the insurance company rejects the claim payable to the nominee. Therefore, it is important for you to know which insurer has maintained a good record in settling death claims.

The Insurance Regulatory and Development Authority of India (IRDAI) publishes 'Death Claim Settlement Ratio' every year in its annual report.

What is claim settlement ratio?
The claim settlement ratio (CSR) reveals the percentage of claims the insurer has paid out during a financial year. In simple words, CSR is defined as the percentage of insurance claims settled by an insurer compared to the total number of claims received.

For instance, if the death claim settlement ratio of an insurer is 90 percent, it means that the insurer has settled 90 death insurance claims out of every 100 insurance claims received. This way the death claim settlement ratio is said to be 90 percent as the remaining 10 percent insurance claims are rejected by the insurer.

Yusuf Pachmariwala, EVP and Head of Operations, Tata AIA Life said, "The higher the death claim settlement ratio, the more confidence consumers will have on the life insurer as it is reflective of the insurer's commitment to its consumers. Hence, a higher death claim ratio is considered a good indicator for a life insurance company."

He further said, "Claim settlement ratio also helps one understand the overall risk management ability of a life insurance company. It indicates how efficiently the insurer has implemented necessary technology and process to weed out applications which are not genuine."

The CSR is calculated with the help of the following formula:
Claim settlement ratio = (Number of claims settled/Number of claims received) x 100

Generally, higher death claim settlement ratio (in %) means that the chance of settlement of a claim by the life insurer is higher.

The below table shows IRDAI's death claim settlement ratio of life insurers for the year 2018-19

S.No.	Life insurers	Death claim settlement ratio (%)
1	TATA AIA Life Insurance	99.07
2	HDFC Life Insurance	99.04
3	Max Life Insurance	98.74
4	ICICI Prudential Life Insurance	98.58
5	Life Insurance Corporation	97.79
6	Reliance Nippon Life Insurance	97.71
7	Kotak Life Insurance	97.4
8	Bharti Axa Life Insurance	97.28
9	Aditya Birla Sun Life Insurance	97.15
10	Exide Life Insurance	97.03
11	DHFL Pramerica	96.8
12	Star Union Daichi Life Insurance	96.74
13	Aegon Life Insurance	96.45
14	PNB MetLife Insurance	96.21
15	Aviva Life Insurance	96.06
16	Edelweiss Tokio Life Insurance	95.82
17	IDBI Federal Life Insurance	95.79
18	Future Generali Life Insurance	95.16
19	SBI Life Insurance	95.03
20	Bajaj Allianz Life Insurance	95.01
21	Canara HSBC OBC	94.04
22	India First Life Insurance	92.82
23	Sahara India Life Insurance	90.16
24	Shriram Life Insurance	85.3

Source: IRDAI Annual Report 2018-19

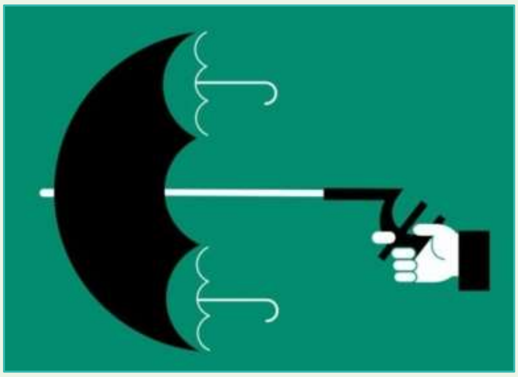
The figures mentioned above are published annually, i.e., published for the previous year in the annual report. For example, the figures for death claim settlement ratio of life insurers, mentioned above, are for the year 2018-19. Click here to see the IRDAI annual report.

TOP

Source

More bang for your buck – India Today – 24th February 2020

Guidelines issued by the regulator have made new insurance policies more transparent and flexible.



If you are planning to buy life insurance, you must know that IRDAI has introduced significant changes in non-linked and unit-linked insurance policies to make them more customer-friendly and transparent. Effective February 1, only products complying with the new guidelines have been on offer. The old ones have been withdrawn or re-filed with IRDAI. Existing policyholders, though, will have to wait. The regulator is yet to define guidelines to extend the benefits to ongoing policies.

As per the new regulations, you can make partial withdrawals from ULIPs (Unit Linked Insurance Plans), withdraw more money from your pension plans, have defined and uniform surrender value across insurers and make use of extended revival periods for lapsed policies. "The new guidelines will help policyholders stay insured and save more," says Naval Goel, CEO and founder of PolicyX.com. Here are the major changes in life insurance policies and how they will impact you:

Longer revival period
Earlier, if your policy had lapsed because premiums had not been paid, you could have revived it only within two years from the date of the first unpaid premium (FUP). Now, the revival period has been extended to three years for ULIP plans and to five years for non-linked plans. However, you will have to pay up all the premiums skipped. "If a new ULIP customer discontinues premium in the first five years and does not opt to revive the policy, the revival period could be limited to the period remaining of the first five years as the policy will be terminated at the end of five years," says Sanjay Tiwari, director, strategy, Exide Life Insurance.

Earlier, for ULIPs, if you paid the first three annual premiums, your policy became a paid-up policy and could have continued till the originally planned maturity even if you did not pay any premium. This has changed. "If a new ULIP customer discontinues paying the premium after five years and does not revive the policy, the paid-up option is restricted to a three-year revival period and the policy is terminated thereafter. A paid-up or non-premium-paying ULIP policy will not be continued till the originally planned maturity," adds Tiwari.

Uniform surrender value
Surrender value is the sum an insurance company pays if one exits the policy before maturity. Earlier, one could have terminated a policy only after three years. Now, one can do so after two years if the premium-paying term is less than 10 years. Besides, the surrender value factor that insurers used to fix by themselves has been defined by the insurance regulator for all insurers. If you surrender a policy after two years, a fixed sum of up to 30 per cent of the total premiums paid less any survival benefits already paid will be given. The value will be 35 per cent in case of three years and 50 per cent after four or seven years.

Lower sum assured on ULIPs
The changes in ULIPs are most important to take note of. Earlier, only those above 45 years of age were eligible to buy ULIPs, with a death cover of less than 10 times the annual premium. Now, the death cover for regular premium and limited premium-paying policy has been reduced to seven times the annualised premiums, irrespective of the age when you purchase the policy. The move can result in better returns as a lesser amount of mortality charges will get deducted. However, going for a lower sum assured, that is, less than 10 times the annual premium paid, will not get you tax benefits. "For availing income tax benefits under Section 80C and 10(10D) respectively, the minimum sum assured needs to be 10 times the annualised premium for the policyholders to take advantage of tax exemptions," says Aalok Bhan, director and chief marketing officer, Max Life Insurance.

Exide Life Insurance has continued with higher insurance for longer term policies. "A higher cover for longer term policies reflects our brand philosophy. We have chosen not to offer the life cover of seven times multiple of premium below the entry age of 45 years to ensure all these customers get tax benefits," says Tiwari.

Partial ULIP withdrawals
No defined partial withdrawal rules were available in the previous ULIP plans. Now, IRDAI has allowed it for events such as higher education, marriage of son/daughter, critical illness of self/ spouse and buying/ constructing a residential house, thus making it competitive with respect to the National Pension System (NPS). You can withdraw up to 25 per cent of the fund value thrice during the policy term, provided the policy has completed five years. Note that although a defined partial withdrawal option will provide much-needed liquidity, your insurance cover will reduce.

Higher Risk Cover on ULIPs
Earlier, nominees of ULIP investors used to get the higher of the sum assured or the fund value in case of the demise of the investors. In case of policies with lower sum assured and longer tenure, often the premium paid becomes higher than the sum assured over a period. If the market undergoes a correction, the death benefit in many cases could be lower than the premium paid. However, now the nominees would receive a higher amount. "ULIPs will be available with a risk cover equal to 105 per cent of the total premiums paid (in case this amount is higher than the sum assured and fund value) on the settlement period," says Goel.

Flexibility to reduce ULIP premium
New ULIPs will offer more flexibility in case you want to bring down your annual investment. "You have the option to reduce premiums by up to 50 per cent of the original annualised premium after the end of the five-year lock-in period. This offers you convenience if you are not able to pay up the larger premium due to any financial exigency," says Goel.

Pension plans get better
Policyholders with insurance-linked pension plans can now withdraw up to 60 per cent of their maturity benefit at vesting age when regular payment begins. It was fixed at 33 per cent of the corpus so far. However, in pension plans, only the withdrawal of one-third of the corpus will remain tax-free and not the entire 60 per cent. "Even though the tax exemption remains the same, it gives the investor an option to withdraw a higher amount on maturity. Having such an option will make investors worry-free to meet the rising costs of living," says Rakesh Goyal, director, Probus Insurance Broker Ltd.

Change annuity provider
In a deferred annuity plan, investors typically invest a lump sum and wait or invest a regular amount to build a bigger corpus over a period. After reaching the vesting age, when the annuity payment starts, they did not have any option to change the annuity provider even if other players were offering a higher rate. Now, investors are allowed to shift 50 per cent of their corpus at the time of vesting to a different annuity provider.

Market-linked retirement benefits
The new rule allows policyholders to opt for the possibility of earning a higher return on their investment by choosing the 'no guarantee option' and by asking the insurer to increase the equity exposure in the policy. However, any equity investment comes with zero guarantee of returns or capital. If you choose the 'no guarantee option', the insurer will not be accountable to return your capital or earnings. "If you can take this risk, you may consider investing in insurance-linked pension plans. Else, it is better to prefer traditional retirement benefits," says Goel of PolicyX.com.

(The writer is Aprajita Sharma.)

TOP

Source

Add-ons may make term plans complex – Mint – 23rd February 2020

When it comes to life insurance, Mint has always vouched for term insurance plans, the simplest and cheapest covers available. However, in order to have a unique selling point, these days insurers are trying to make even their term insurance offerings more comprehensive and customized by offering add-ons such as a cover for terminal illnesses and accidental disability. But add-ons only make term plans more complicated for the buyers and may not always work. Such customization may, in fact, defeat the very idea of keeping life insurance simple.

Bajaj Allianz Life Insurance Co. Ltd's latest product, Bajaj Allianz Life Smart Protect Goal, is a term plan that comes with four variants. There is one variant that comes with a rare feature—it provides extra cover for child education. To each of the variants, you can take a few add-ons.

WHAT DO YOU GET?

The four variants are pure life cover, life cover with child education extra cover (CEEC), life cover with joint life and life cover with the option of increasing the cover.

In the pure life cover option, you can just take a plain-vanilla term plan that only pays a death benefit. In the joint life variant, the life assured has the choice to cover the spouse on the same plan. On the demise of the first life, the cover for the spouse will continue and premiums will be borne by the insurer.

The increasing life cover option allows you to increase the sum assured every year by a specific percentage which you'll have to decide at the time of buying. Mrin Agarwal, financial educator, founder director of Finsafe India Pvt. Ltd and co-founder of Womantra, said this option could work well. "Generally people buy a policy and then don't top up, so this is a good option. Of course, one needs to check the increase in the premium," she said.

CEEC, which is the selling point of this policy, would take care of the education expenses of your child if something were to happen to you before the child turns 25. Post that, the cover expires. For a ₹1 crore cover, you can get a CEEC up to the same amount. "Since the additional benefit is only applicable till the child turns 25 years, the add-on is a cost effective way to increase the insurance cover," said Santosh Agarwal, chief business officer, life insurance, Policybazaar.com.

The add-on can be taken for any number of minor children. The plan offers convenience compared to buying multiple policies for goal-based needs, but do a cost comparison before you go for it.

If you don't go with the return of premium option, a 30-year-old non-smoker male will pay a premium of ₹6,250 plus taxes for a cover of ₹1 crore with a term of 25 years. With the child education extra cover of up to ₹1 crore, the premium would be higher.

Are the add-ons worth it?

Some of the add-ons on offer are critical illness benefit, return of premium, whole-life cover and waiver of premium benefit. You will have to pay extra for these

You can take an add-on cover against 55 major and minor critical illnesses with all the four variants. "A critical illness along with a term plan is usually cheaper than a stand-alone critical illness policy. This also eliminates the need for separate underwriting or risk assessment requirement for the critical illness," said Dhirendra Mahyavanshi, co-founder, Turtlemint, an InsurTech company. For a 30-year-old male with a life cover of ₹1 crore, adding the critical illness benefit cover of ₹10 lakh would push the premium to ₹9,698 plus taxes (₹6,250 + ₹3,448). For the same cover, other insurers may charge you less but do check the number of illnesses covered. The product also offers the return of premium option but Mint does not recommend it because such policies are quite expensive. It also defeats the very purpose of buying life insurance in a cost-effective way. the returns in most cases don't even cover for inflation.

If you were to take the waiver of premium add-on, the insurer will waive off all future premiums on the occurrence of the fourth minor critical illness or on the date of the occurrence of the first major critical illness.

You can get a life cover till you turn 85 or even 99 if you've opted for the whole-life cover. However, we don't recommend whole-life plans. You need a life insurance cover only till the time you're working and have financial dependants. Beyond this point, having adequate health cover is more important.

The policy gives you the option to pay premiums for a limited term (as less as five years). But the problem with that is it requires you to pay the premiums upfront, for a policy you may not need some years down the line. "I wouldn't recommend the limited premium option. It's because term plan premiums in general are quite low and can be paid through the policy tenure. Also, premiums here are not generating investment returns," said Finsafe's Agarwal.

mint's take
On comparing Bajaj Allianz Life Smart Protect Goal with those provided by other insurers, we found that the premiums were quite competitive.

"Compared to other term insurance plans available in the market today, Bajaj Allianz Life is relatively cheaper. The premiums are 10-15% lower," said Rakesh Goyal, director, Probus Insurance Broker Ltd. Though the premiums are competitive, not all the features and add-ons may be useful for you.

We recommend sticking to a plain-vanilla term plan which you could top-up as and when the need arises.

(The writer is Disha Sanghvi.)

TOP

Source

GENERAL INSURANCE

General insurance: Premium collections up 10% in January – Financial Express – 28th February 2020

General Insurance companies reverted to moderate premium growth (10% year-on-year ex-crop) in January 2020, recovering from the 6% level of December 2019. Two key reasons: (1) Motor third party (TP) recovered (up 18% y-o-y vs 3-10% y-o-y in previous two months) and (2) fire business recovered (up 24% y-o-y vs -10% in December 2019).

Motor TP picks up
The motor segment reported premium growth of 15% y-o-y in January 2020, reverting to the 15-20% levels seen in September-October 2019 after the introduction of new traffic penalty rules. Motor TP (18% y-o-y growth in January 2020) drove the recovery after falling to 3% y-o-y growth in December 2019 from 38% in September 2019, now translating to 15% in YTD growth. Own damage (OD) business growth was steady at 10% y-o-y during the month. Private players continued to gain market share on YTD basis, reporting 18% y-o-y growth.

TP growth in January 2020 reverted to levels before September 2019 (when new traffic penalty rules were introduced). Private players posted 19% y-o-y growth, while PSU premiums grew 17% y-o-y. SBI General delivered the best performance (up by >800% y-o-y, though on a low base).

Own damage business growth was steady at 10% y-o-y in January 2020 compared to 2% growth in YTD FY2020. PSU players delivered the second consecutive month of y-o-y growth after eight months of contraction in FY2020, resulting in YTD FY2020 growth rate of -13% vs 9% for private players. Most large private players posted weaker-than-industry numbers, except ICICI Lombard and SBI General.

Retail health steady
Overall growth in the health business moderated to 3% y-o-y, compared to YTD run-rate of 15% due to weak business from government schemes. Retail heath maintained strong momentum at 17% y-o-y growth in January 2020 (~13% in YTD FY2020) while group health business was up 13% y-o-y (17% in YTD 2020). Market share movement trends continued, with standalone insurers gaining (health premiums up 29% y-o-y in January 2020) against general insurers.

Fire revives
Fire insurance premiums grew 24% y-o-y in January 2020, reverting closer to the ~25-60% growth levels in March-November 2019 after a decline of 10% in December 2019. Large private players including ICICI Lombard (up 37% y-o-y), HDFC Ergo General (up 60% y-o-y) and Bajaj (up 19% y-o-y) posted sharp recovery in growth rates from their December levels.

TOP

Source

What does small-ticket insurance cover? - The Economic Times – 27th February 2020

1. This type of insurance focusses on a specific need and comes with a low premium and lower cover.

2. Most of the offerings are disease-specific (mosquito-borne disease), travel-specific, for home appliances (mobile, home protection, cycle theft) or for lifestyle needs (marathon, fitness).

3. Companies such as Toffee Insurance, Digit Insurance and Mobikwik provide bitesize insurance online.

4. These insurance products require less documentation for underwriting unlike conventional policies.

5. It is targeted towards first time insurance buyers to introduce them to the concept of insurance and move them to full cover later.

TOP

Source

Why demand for cycle insurance is rising in India – Financial Express – 27th February 2020

There are a few joys in life that never fade away; one of them is the joy of reliving your memories and creating new ones along the way. One of the memories to treasure belongs to one's childhood, where the people, as children, showed immense enthusiasm to ride a cool cycle. The memory still breathes just the same in present times as now they opt for the same mode of commute to go green while simultaneously maintaining their health. Combating traffic and lifestyle diseases, a cycle not only helps one to work out while commuting to their destination but also reduces the carbon footprint on the earth.

De-escalating the use of fuel and encouraging environment-friendly commute, cycles are also introducing a pocket-friendly, fun way to commute from one destination to another, helping one avoid the parking hassles and other routine-commute expenses and concerns. Corporates are also opting for premium cycles to ease their commute and to maintain a healthy lifestyle. Supporting the same, a recent study by TERI estimated that if bicycles substitute two-and four-wheelers used for short-distance trips in India, it can result in an annual benefit of Rs. 1.8 trillion.

With people becoming health-conscious and being aware of various ways to stay fit, the sales of cycles are on a rise and so is the need to insure them. Having long-working hours and hectic schedules hardly leave any time with the professional to balance their health routines and maintain a fitter lifestyle, thus, bringing a significant change in the mode of commute and insuring it to go a long way will serve to be helpful for the fitness-enthusiasts as well the ones seeking a healthier lifestyle.

With the purchase of high-end performance cycles supported with adequate riding gears and accessories for the long-distance route, it is imperative to opt for cycle insurance as it will support the owner in times of any mishappenings or any such concerns. Even for mid-range cycles, insurance is becoming a top priority to save the additional cost of unforeseen accidents that can have a toll on finances.

Along with metropolitan cities, Tier 1 and Tier 2 cities are also contributing significantly to the sales of premium cycles and thus helping the sector to evolve exponentially along with upping the sales of cycle insurances. Buying insurance has often been tagged as a complex process; however, with the growth of customer-friendly insurance companies, the scenario is undoubtedly changing.

With the latest technology and advancements, new-age startups are changing the face of the insurance where they are becoming more client-centric, catering to the customers' needs passionately and addressing their concerns while being accessible to all and reducing the adverse impact of future accidents and mishappenings. The non-life insurance market has grown by more than 750% in the last 15 years, exploding from a figure of 2.6 billion USD in FY02 to 19.8 billion USD in FY17. The number of policies issued, too, has shot up aggressively over the past decade – growing at nearly 250%, from 65.55 million policies in FY08 to 161.17 million in FY17.

With the ease of purchasing bite-sized insurance, the need to opt for cycle-insurances is also becoming prominent by the passing of the day. Bicycles are serving as an asset and hence are advised to be insured with the apt policy, benefitting the customer in the best way possible. Making its own place in the market, cycle insurances are on a rise and very deservingly so.

(The writer is Rohan Kumar.)

Source

TOP

Maximising your insurance cover on bank deposits – Mail Today – 27th February 2020

We all invest in the name of family members in any case. Now the FD cover would be about 5 lakh. We do not suggest more than 2-3 bank accounts per person.

BANKS have traditionally enjoyed people's trust, especially when it comes to safekeeping their money. However, the crisis in the Punjab and Maharashtra Cooperative (PMC) Bank not so long ago, where many depositors with higher fixed deposit (FD) amounts were unable to withdraw their deposits, has come as a shock to many investors. It also exposed the gross inadequacy of the deposit insurance cover of Rs 1 lakh given to each depositor in case of bank failure.

This limit was introduced in 1993 and continued for almost 27 years. Budget 2020 has done damage control by raising the insurance cover to Rs 5 lakh, which came into effect on February 4. It could provide safety to a decent number of people, but may not be sufficient for those with a much higher amount of deposit in bank. We tell you how you can enjoy higher insurance cover on bank deposits.

The deposit insurance cover applies separately on each account held in different rights and capacities applies separately. As an individual, you can open a regular savings account. Additionally, you may also have an account as a guardian of a minor, a partner of a firm or a director of a company. All these accounts held in different capacities will enjoy a separate Rs 5 lakh cover. You can have joint accounts with different people, all of which then enjoy a separate insurance cover.

One way to divide your deposits is to hold FDs in the name of different family members. "We all invest in the name of family members in any case. Now the FD cover would be about Rs 5 lakh," says Suresh Sadagopan, founder, Ladder7 Financial Advisories. "We do not suggest more than two or threebank accounts per person. For children, we suggest just one."

However, it may have tax implications. "Interest earned from FDs opened in the name of a depositor's non-working spouse will get clubbed with the depositor's income and taxed accordingly," says Naveen Kukreja, CEO and cofounder, Paisabazaar. com. "The same rule applies to FDs opened in the name of minors, except for a tax exemption of Rs 1,500 per year, per child. However, interest income from FDs opened in the name of the depositor's parents and major child does not get clubbed with his income."

If you wish to get higher interest by depositing in smaller banks, it is better to stick to a Rs 5 lakh deposit which also includes the interest amount. "Insurance cover on bank deposits applies separately to the deposits held with each bank," says Kukreja. "Hence, banking consumers can reduce their risk by diversifying their deposits across multiple banks. Increased insurance cover for deposits of up to Rs 5 lakh will also allow consumers to deposit a higher amount in small finance banks and some private sector banks, which offer much higher interest rates than bigger public and private sector banks"

If your priority, though, is safety than some percentage point benefit, then it is better to stick with strong banks. "If one is interested in protecting one's money, one of the things we suggest is to choose highquality banks like SBI, Bank of Baroda, HDFC, which are strong banking entities where the deposits will be safe," says Sadagopan. "Such entities will offer lower returns as compared to other lower- rated banks."

(The writer is Tanmoy Chakraborty.)

TOP

Source

Companies' purchase of liability insurance goes up by average 50% - The Times of India – 26th February 2020

Rising strife and damages caused is forcing companies to purchase liability insurance, which covers loss and damage caused due to natural disasters, burglary and riots. Some insurers are witnessing a 50% increase in policies sold.

“We have seen about 20% increase on yearly basis in the sales of our product — Public Liability Insurance (Industrial Risks) Policy — which provides coverage to accidental death, body injury or disease, loss or damage to property. It also covers legal costs and expenses incurred which is within the limit of indemnity. The loss claim ration is around 50%-60%,” says Sanjay Dutta, chief, Underwriting and Claims, ICICI Lombard General Insurance.

SBI General has seen an increase in both policies sold and premium earned. “Higher conversion rate of liability, from queries turning into sales, seen under directors and officers (D&O) liability policy, with 80% rise in sales. With the amendment of Companies Act, 2013, more companies are keen on insuring their officers, directors and independent directors. Even premium charged has increased up to Rs 2.5-Rs 2.8 crore, from Rs 1.4-Rs 1.5 crore for sum assured value in the range of Rs 5-Rs 25 crore in the past one year,” Vaidyanath Balasubramanian, Underwriting Manager, SBI General Insurance said.

Shreeraj Deshpande, COO, Future Generali India Insurance, said they have seen 30%-40% higher sales in public liability covers were driven by educational institutions, as compared to 50%-60% higher sales among product liability covers due to export requirements.

The insurance company said it does record more claims to cover damages from policyholders running businesses in the auto industry and pharmaceutical business. Deshpande said, “The overall loss claims ratio stands at 40%-50%, which is much better as litigations are lower in India. However, we so see higher awareness liability insurance. Even the overall premium for this cover gone up by 10%-20% compared to previous year.”

(The writer is Mamtha Asokan.)

Source

TOP

5 things to know before buying a home insurance policy – Financial Express – 25th February 2020

“Home is where the story begins”, but still home insurance is certainly not the first thing on most of the people’s mind while buying their dream house. But, nevertheless, in case things go wrong, it acts as an important backup. A typical home insurance policy covers you against fire and allied perils, including lightning, flood, earthquake or storm. However, covering your house against theft or burglary may cost you some extra bucks. Therefore, it is advisable to go for a comprehensive home insurance policy (structure + content).

Home insurance majorly includes two types of coverage, i.e. damage caused to the structure and loss of content (personal belongings). In the case of burglary or theft, the personal content coverage helps you in repairing and replacing the contents if stolen or damaged. The comprehensive home insurance plans available in the market safeguard the content of your home as well as your personal belongings. Some insurers may provide this as an add-on cover but there are plans specifically designed for burglary. For a comprehensive coverage, you need to choose the sections wisely. The more you choose, the more comprehensive and beneficial your home cover will be.

1. Compare Online

Comparing your home insurance policy online allows you to confirm on the various inclusions and coverages that are a part of the policy you intend to buy. It is possible that the policy you are planning to buy offers less coverage comparatively to the other. Therefore, while buying a home insurance cover do remember that by comparing the policies online, you can make a decision to choose the one that provides you with the best coverages possible at most affordable prices.

2. Coverage

A comprehensive home insurance policy will certainly pay you for the damage caused by natural calamity, i.e. flood, earthquake, cyclone, etc. Though the insurer will not pay you for regular wear and tear of your house, but they will certainly pay you for the damage incurred. With the unpredictable weather patterns, it is smart to get an adequate cover which provides comprehensive coverage for your house. Also, it is advisable to give equal importance to both structure and content cover.

3. Add-on Covers

The add-ons play a major role under home insurance as they have a great impact on the coverage being offered. In case of unexpected damage to your home and/or its contents, your home insurance cover adequately covers you for the event. There are various natural and man-made events that could damage your property. These events are covered under a home insurance policy. To safeguard your home against the unforeseen calamities and danger, buy the comprehensive home insurance policy that provides adequate cover to the property structure and its contents.

4. Cost Efficient
Unlike life or health insurance, the premiums for home insurance are significantly low. The average premium for insuring a Rs 50 lakh house comes around Rs 2,200 to 2,600 per annum. However, a comprehensive home insurance plan to insure your Rs 50 lakh house along with its added content (furniture, home appliances, personal belongings, etc.) worth Rs 5 lakh would cost you Rs 6500 to Rs 7500 annually. To maximize customer satisfaction, insurance companies and web aggregators offer home insurance cover with minimum documentation.

5. Individual Plan
Many housing societies offer home insurance that covers the cost of reconstructing the structure of the building. However, the risk of damage to the content lies with the homeowner. Therefore, it is advisable to go for an individual home insurance plan that provides comprehensive coverage (structure+content).

All one needs to understand is the importance to invest in a home insurance policy at the right time and protect your dream house from any unforeseen expenditure, rather than to wait for some accident or calamities to occur and regret.

(The writer is Tarun Mathur.)

TOP

Source

Rewiring insurance with tech to speed up underwriting and claims process – Business Standard – 25h February 2020

Technology has revolutionised the world we live in. Even the everyday cellphone, seemingly, has more computing power than the mainframes that launched the moon mission. The availability of a high-powered portable device has made our lives faster, and hopefully, better.

This revolution has also influenced insurance consumers. They are demanding a greater degree of personalisation and instant gratification from their insurance providers. The insurance industry is fast-growing and hyper-competitive, but with little differentiation in product offerings to consumers. The main disruptions to the traditional insurance model come from how insurance companies leverage emerging technologies such as artificial intelligence (AI) and machine learning, Internet of Things (IoT), telematics and telemetry, big data and data analytics, robo advisors, and distributed ledger technology. These technologies help serve customers better, giving them a seamless experience.

(The writer is Girish Nayak.)

TOP

Source

HEALTH INSURANCE

Aarogya Sanjeevani Policy will be a game-changer for you - Zee Business – 28th February 2020

Insurance is something that everyone wants to ensure there is enough money available when emergencies strike. However, not everyone is happy with current state of affairs. Now, things are set to change in favour of the public. So, a standard policy is on its way that will focus on the policy-holder and it is called Aarogya Sanjeevani Policy. Here we tell you what is Aarogya Sanjeevani Policy and what benefits it will have for potential buyers? Dr Prayank Shah, Health Underwriter & Claims-Health, Universal Sompo has answers to all your queries.

As per the instructions issued by the insurance regulator, Insurance Regulatory and Development Authority of India (IRDAI), a new standard health policy called the Aarogya Sanjeevani Policy will be launched from 1 April 2020. The insurance service provider will bring a standard policy for customers with plans in between Rs 1 lakh and 5 lakh.

The plan is capped at Rs 5 lakh on the higher side while Rs 1 lakh at the lower side. Insurance companies will bring the standard individual health insurance products. It will no be possible to put any add-on or riders in the policy after the new standard policy regime kicks in. The policy will give basic health insurance cover to all subscribers.

Health insurance policy is for the basic requirements of the health of an individual. There will be uniform products available across the industry.

Also, it will be possible to switch from one policy to another if you are not happy with the services of the existing service provider.

Currently, the insurance service plans vary from one company to another. Every plan has its own pros and cons and conditions. This has been creating a lot of confusion in the mind of the customers. Picking the right product is also a tricky task for the customers.

The benefits of switching the service provider will not change and the customers will still be entitled to no claim bonus.

This is likely to increase competition among the insurance companies benefitting the customers ultimately. The individual health policy will make applicable the sum insured on all members of the family. The age to choose standard health policy will be between 18 years and 65 years. The policy can be renewed lifelong. The health insurance plan will be offered for a period of one year.

The premium could be paid on an annual, half-yearly, quarterly or monthly basis. There will be a grace period of 30 days for annual payment mode.

TOP

Source

Should you buy health insurance with higher sum insured or add top-up policy? - The Economic Times – 26th February 2020

If you are confused between whether to buy a health insurance policy with higher sum insured or go with a basic sum insured and additionally buy a top-up plan over and above it, then here is a comparison which may help you understand the difference between the two.

Both options have their own set of pros and cons.

A. Opting for health insurance with a higher sum insured
Health insurance plans with higher sum insured are expensive but they provide greater ease at the time of claiming reimbursement under the insurance policy. Amit Chhabra, Head- Health Insurance, Policybazaar.com said, "You can easily claim the entire sum insured. Apart from this, if you wish to port your health insurance policy to a different insurer, your sum insured would be carried to the new insurer without any hassle."

B. Opting for health insurance with a top-up plan
Like a regular indemnity health insurance policy, a health insurance top-up plan also covers hospitalisation costs. Increasing your sum insured through health insurance top-ups plans is cost-effective as the premium payable for a top up plan is normally less than what would be payable if you increased the base sum assured by the same amount as the top up.

However, Rakesh Goyal, Director, Probus Insurance said, "The reason behind the lower premium is that insurers don't offer these top-up plans without a deductible amount. The deductible amount is to be paid by the policyholder for the treatment cost before policyholders can file a claim under a top-up plan. So, if the treatment cost crosses the deductible amount mentioned in the top up plan, then the top-up policy can come to the rescue."

Policyholders have the option of choosing a specific deductible amount. There are insurance policies where a deductible applies to the base policy also.

Naval Goel, CEO, PolicyX.com said, "While a health insurance top-up plan would be cheaper, the room rent allowed, in many cases, would be a percentage of the base policy only, and not the aggregate of the base policy plus top-up. So, if the sole purpose of taking a top-up is to increase the room rent limit, then it might not be useful."

Goel added, "Top-up plans are ideal for those people who own a base/regular health insurance policy but do not have sufficient cover to deal with a huge medical emergency. For instance, it is for reimbursement of expenditure which arises out of single illness beyond the limit of the existing cover."

Let us take the example of a 30-year-old male who has purchased a health insurance policy with a top-up plan for a total sum insured of Rs 1 crore. Here, the base/regular policy has a sum insured of Rs 5 lakh and the top-up plan a sum insured of Rs 95 lakh. Reimbursement of claims works as follows under different scenarios.

- If there is a single claim of Rs 4 lakh in an year, then the regular/base health insurance policy will pay Rs 4 lakh.

- If there is a single claim of Rs 47 lakh in an year, then the regular policy will pay Rs 5 lakh (minus deductible) and the remaining claim amount of Rs 42 lakh (minus deductible) will be paid through the top-up plan.

If during the year there are three separate claims of Rs 3 lakh, Rs 2 lakh and Rs 2 lakh aggregating to Rs 7 lakh, (i.e., no individual claim is more than Rs 5 lakh) then in such a case, the insured will have to pay Rs 2 lakh from his pocket. Here the base policy of Rs 5 lakh will only reimburse the first two claims of Rs 3 lakh and Rs 2 lakh. In this case, the top up policy will not be applicable because no individual claim is more than Rs 5 lakh and for each claim only the base policy is available.

Health insurance plan with higher sum insured vs health insurance with a top-up plan

Particulars	Higher sum insured plans	Regular policy with top-up plans
Premium payments	Expensive policy as premium is higher compared to health insurance with top-up plans	Cost-effective policy as premium is lower compared to health plans with high sum insured
Claims payout	The claim process is easy and cashless	The process is easy but may or may not be cashless every time
Deductibles	Normally, a low deductible is payable if any	A high deductible has to be paid before the top-up benefit kicks in
Policy porting to another insurer	Porting is an easy process	Porting the total sum insured (base policy plus top-up amount) can be a difficult process

Chabbra said that if a non-smoking, 30-year old male, residing in a metro city, buys a regular health insurance policy with a top-up plan for a total of Rs 1 crore (Rs 5 lakh as a base/regular sum insured + Rs 95 lakh as top-up plan), the annual premium will cost him around Rs 10,000. "However, if the same person buys a regular health insurance policy with a high base sum insured of Rs 1 crore, then the premium will cost him around Rs 23,000 on an average," he said.

What policyholders should do

You can opt for a health insurance policy with higher sum insured but that will increase your annual premium. On the other hand, you may go for a base/regular health insurance policy with adequate sum insured that can suit your pocket (in terms of annual premium payment) and additionally opt for a top-up plan with deductible amount equal to the base/regular health insurance policy.

Goyal said, "Typically, the deductible can go high for top-up plans. So, let say a customer bought a base/regular policy with sum insured of Rs 5 lakh and a top up policy of Rs 95 lakh. Then typically the deductible in the top up policy can be Rs 5 lakh. Then, in case of a claim which is up to Rs 5 lakh, the base policy sum insured will get reimbursed. In case the claim is higher, say Rs 20 lakh, then the base policy will be used plus the top up policy will kick in."

The way it works is that the Rs 5 lakh reimbursed by the base policy is used to pay the Rs 5 lakh deductible from the top up policy so that the insured is able to get a total reimbursement of Rs 15 lakh which is base policy (Rs 5 lakh) plus Rs 15 lakh from top up policy minus Rs 5 lakh deductible from the top up policy. The deductible amount from the top up policy has to be paid by the insured before he can get any reimbursement under it.

Say a customer buys a base/regular policy with sum insured of Rs 5 lakh and opts for a deductible amount of Rs 6 lakh in case of the top policy of Rs 95 lakh. Then, to claim under the top up plan (after exhausting the base policy) he would first have to pay the deductible of Rs 6 lakh. The policyholder can use Rs 5 lakh received from the base policy plus Rs 1 lakh from his own funds to pay the deductible. Consequently, he would have to shell out Rs 1 lakh from his own pocket.

"Therefore, it is advisable to have a base health plan with a sufficient cover and then mention the base health plan sum insured as the deductible amount in the top up plan. This way your base/regular health insurance policy would cover normal medical costs and if the treatment cost crosses the base plan sum insured limits, you can then utilise the top-up plan," Goyal added.

Apart from this, in order to avail the benefit of top-up plans hassle-free, it is also important to buy a top-up plan from the same insurer from whom you bought the base/regular health insurance policy.

Chhabra said, "If you buy a top-up plan from a different insurer, the claim payout from your top-up plan may not be cashless. Moreover, at the time of porting, continuity benefit is only received on the base policy sum insured and not the top-up plan. Therefore, before choosing any one of the insurance plans for porting, it is important to properly understand all the terms and conditions of the plan."

(The writer is Navneet Dubey.)

Source

TOP

To avoid last-minute surprises, be mindful of room rent limit in health insurance – Mint – 26th February 2020

Before buying a health insurance policy, make sure that you understand how the room rent limit works as it may reduce your claim substantially.

Say, a policyholder's daily room rent limit is ₹2,000 per day, but he gets admitted to a room that costs ₹4,000 a day. In such a case, the insurance policy will only pay 50% of the claimed amount. Insurance companies are well within their rights to reduce the claim on a "pro rata" basis.

ROOM RENT LIMITS
The limit imposed on the coverage of boarding expenses or room rent of the hospital is called the room rent limit. Health insurance policies, typically, cap room rent in the range of 1-2% of the sum insured. So if your sum insured is ₹2 lakh and the room rent is 1%, you will be eligible to take a room that costs ₹2,000 a day. In some cases, the room rent limit is an absolute amount.

All the costs that a hospital charges you are linked to the room rent. As your room rent changes, so does the cost of treatment. For example, for a room that costs ₹4,000, if the doctor consultation fee is ₹1,000, it would be ₹600-700 for a room with a rent of ₹2,000. Similarly, all other charges, including for medicines, tests and surgery, will be more for the room with the higher room rent.

IMPACT on CLAIMS
If you are eligible for a ₹2,000 room but opt for the ₹4,000 one, the insurer will settle the claim partially. The insurer doesn't compare the costs of each charge in two different rooms but will reduce the total bill on a pro-rata basis. So if you are eligible for a room that costs ₹1,000, but opt for a room that costs ₹2,000, ₹3,000 or ₹4,000, your claim will be reduced to 50%, 33% and 25%, respectively, of the total bill.

Know the rules
While as a policyholder, you may feel that there is only a marginal difference in the costs of medicine or tests for different room categories, insurers are well within their rights to reduce the claim amount. This is one way for the insurers to ensure that hospitals don't overcharge a customer.

Since hospitals impose their charges based on room selection, insurance companies pay a proportionate claim for expensive rooms. It is the responsibility of the policyholder to understand the terms and conditions if their policies cap the room rent.

WHAT YOU SHOULD DO
Typically, policies with a higher sum insured— ₹5 lakh or more—don't have a room rent limit. If you are taking an individual policy, ideally opt for a ₹10 lakh cover. In case of family floater, take a cover of ₹15 lakh. In any case, when you buy a policy do read the documents carefully to ensure the room rent is not capped.

In case you are taking a policy with a lower sum insured, check how the sub-limits and the co-payment clause will affect your claim. Don't forget to check what all the policy covers by looking at the exclusions carefully.

(The writer is Tinesh Bhasin.)

TOP

Source

Ayushman Bharat range of services to be expanded in April – The Economic Times – 25th February 2020

Additional service packages including basic oral health care, elderly and palliative healthcare and emergency medical services are planned to be rolled out at Ayushman Bharat - Health and Wellness Centres in April, a key Government official said on Monday. Joint Secretary (Policy), Ministry of Health and Family Welfare, Vikas Sheel said that services being provided at Ayushman Bharat - Health and Wellness Centres are targeted to be expanded from April 14, the second anniversary of the launch of the ambitious programme. "Programme guidelines are all ready", he said.

So far, seven service packages including child health, immunisation, communicable and non-communicable diseases were being provided at Ayushman Bharat - Health and Wellness Centres. Some of the range of services to be added in two months include screening for mental health ailments, care for common ophthalmic and ENT problems and emergency medical services including burns and trauma, he told reporters here.

"As on date, 30,690 AB-HWCs are functional across the country", said Sheel, who looks after National Tuberculosis Elimination Programme and AB-HWC in the Ministry. "By the end of March 2020, approximately 40,000 AB-HWCs will be functional," he said.

Officials of the Ministry said the aim is to create 1. 5 lakh AB-HWCs by 2022 across India by transforming existing sub-centres and Primary Health Centres (PHCs). He also said 'Eat Right' programme which has two components - 'Eat Healthy' and 'Eat Safe' - is planned to be rolled out at AB-HWCs in the coming financial year.

Officials said Eat Right toolkit and Food Safety kit (Magic Box) have been developed in partnership with Food Safety and Standards Authority of India (FSSAI), an autonomous body established under the Ministry. The aim is to spread awareness amongst the community on eating healthy and safe food.

Under the 'Eat Right' initiative, the entire AB-HWC team of Community Health Officer, Auxiliary Nurse Midwife (ANM) and Accredited Social Health Activist (ASHA) would be trained on various aspects of nutrition including food fortification, limiting the consumption of foods high in fat, sugar and salt, and hygiene, among others, they said.

'Magic Boxes' are planned to be placed at PHC/UPHC (Urban Primary Health Centres) level of AB-HWCs, and community members can come, check and detect food adulteration with the help of lab technicians at AB-HWCs, officials said. "This is a small kit which enables anybody to test food items. The idea is to create awareness about safe eating and also put some sort of deterrence in the retailers for adulteration and things like that", Sheel said.

TOP

Source

How senior citizens aged over 65 years can get optimal health insurance at reasonable cost - The Economic Times – 25th February 2020

On 1st April, India's health insurance landscape will change forever with the Irdai-mandated Arogya Sanjeevani Policy coming into effect. However, the standard health insurance policy has its set of limitations. Not only is the entry age restricted to 65, but the cover is also capped at Rs 5 lakh, way too low for senior citizens living in big cities.

Since this new plan will not serve the purpose of those above 65 years of age or those who need a larger cover, they must look at other options. Before exploring the available options, let us first understand the basic premise of health insurance. Unlike life insurance, the annual premium for a health cover keeps increasing with age. So while choosing an option, you need to calculate the expected premium 10 or 15 years from now in addition to studying policy features and current premium. Though it is difficult to predict what the exact premium would be going forward, someone who is 65 can get a rough idea about how much would need to be paid 10 years down the line by looking at the current premium charged by insurance companies for a 75-year-old.

Medical insurance premium balloons with age

1. Normal or dedicated plans

With more senior citizens realising the benefits of and opting for health insurance, some insurance companies have started offering dedicated plans (see table). So you need to first decide whether to opt for a normal health plan or one specifically meant for senior citizens. As of now, there is little advantage in opting for senior citizen specific plans. If you compare the premiums charged by the dedicated plans and regular plans by the same insurers, you will notice the specific plans charge higher premiums and come with more restrictions. Regular plans work out to be more cost effective for senior citizens because the pool is also supported by young people, who make very few claims.

There is little advantage in opting for dedicated plans

Go for senior specific plans only if you are not eligible for normal plans.

Premium for Rs 10 lakh cover.
Source: www.policybazaar.com

However, one should note that the underwriting standards are higher for normal plans and therefore, chances of senior citizens being allowed to opt for these is lower. However, this should not be a deterrent. “Normal health insurance comes with better features and fewer restrictions. So, senior citizens should try for that first and settle for dedicated senior citizen’s plans only if insurance companies do not allow them to opt for a normal plan,” says Amit Chhabra, Health Business Head, Policy Bazaar.

2. Co-payment or not
High premium costs are a deterrent for senior citizens seeking health insurance. Settling for plans with co-payment option is one way of keeping premiums low. Co-payment provides a win-win situation for the customer as well as the insurer. “Since customers start questioning costs charged by hospitals, co-payment brings in discipline,” says Sanjay Dutta, Chief, Underwriting and Claims, ICICI Lombard General Insurance. The Arogya Sanjeevani Policy comes with 5% co-pay for all age groups.

In an effort to reduce premiums, however, do not ignore your liquidity situation. “If you have enough liquid cash and can handle 20% of the expenses, opt for co-payment option and enjoy the reduced premium,” says Abhishek Mishra, CEO, Bonanza Insurance.

General plans without co-pay can be costly

- Opt for co-pay if you can afford it as it will keep the premium down.
- General retail plans without co-pay

INSURER	PLAN	ANNUAL PREMIUM AT 60 YEARS	ANNUAL PREMIUM AT 65 YEARS	ANNUAL PREMIUM AT 70 YEARS	ANNUAL PREMIUM AT 75 YEARS	ROOM RENT LIMIT
Max Bupa Health Insurance	Health Companion	₹33,558	₹46,040	₹59,853	₹74,816	All categories except suite and above
HDFC Ergo Health Insurance	Optima Restore	₹31,802	₹44,860	₹55,577	₹71,132	All categories

Premium for Rs 10 lakh cover.
Source: www.policybazaar.com

3. Base or critical illness cover
Does it make sense to reduce the base cover and replace the same with a critical illness rider? After all it’s critical illnesses that make a bigger hole in your pocket than common illnesses. A Rs 5 lakh base cover +

Rs 10 lakh critical illnesses cover works out to be cheaper than a comprehensive Rs 15 lakh base cover (see chart). However, there is a catch. Critical illnesses are defined and any illness outside that list will not get the additional cover.

Base + critical illness cover works out cheaper
The catch is any illness beyond defined critical illnesses will not be covered.

INSURER	PLAN	₹5 LAKH BASE COVER + ₹10 LAKH CI	GENERAL PLAN (₹15 LAKH)
Religare Health Insurance	Care	₹27,783	₹30,388
Star Health Insurance	Senior Citizen Red Carpet	₹29,637	₹34,462
Max Bupa Health Insurance	Health Companion	₹35,178	₹38,139
HDFC Ergo Health Insurance	Optima Restore	₹31,176	BCCL ₹38,119

Annual premium for 60-year-old

Another option is to go with an independent critical illness cover. Here the claim payment mechanism is different. The money is paid out in a lump sum on detection of a particular illness and is not based on actual treatment cost. "While health insurance will meet hospitalisation expenses, an independent critical illness cover will help to meet additional expenses triggered by the illness," says Dutta.

4. Base cover or super top up

Another way to reduce premium is to skip the base health insurance cover and try to manage only with super top-up plans. Before explaining the strategy here, let us explain the difference between top-up and super top-up plans. In top-up, the hospital bill should be more than the deductible limit to get paid. In super top-up, on the other hand, the limit is considered on policy year basis. Assume that you have a top-up plan with deductible of Rs 5 lakh and your medical bill for the year is Rs 8 lakh, but the same is split between four hospitalisations— Rs 2 lakh each. Since each hospitalisation cost less than the Rs 5 lakh limit, you won't get anything from top-up plans. However, the insurance company would have paid you if that plan was a super top-up, as the total expenses incurred was more than Rs 5 lakh in a policy year.

Super top-up plans work fine if you can keep the deductible low (say Rs 1 lakh) and then go for a super top-up plan with a high cover. In this situation, you will be first paying Rs 1 lakh per annum from your own pocket and the insurer will foot the bill only when it goes beyond this limit. The logic here is like that of co-payment. You are ready to bear a part of the medical bill to reduce the overall premium. However, the problem is most insurance companies won't allow a high top-up with low deductible. For example, most companies will offer only up to Rs 5 lakh cover with a deductible of Rs 1 lakh. They will increase the deductible proportionately —you will need to take a Rs 5 lakh deductible to get a super top up cover of Rs 20-25 lakh.

The strategy of taking Rs 5 lakh base cover and Rs 10 lakh as super top-up (with Rs 5 lakh as deductible) works out cheaper (see chart). Legally, customers can take base cover and super top-ups from different insurance companies, thereby keeping costs low. However, experts ask you to take both policies from the same company. "Both policies from same company increases the operational convenience. You don't have to handle documentation from two companies," says Mishra.

- Super top-ups work if deductible is low
- Base plan + super top-up works out to be cheaper than only base plan.
- Large base plan or base plan + super top-up

INSURER	PLAN	₹5 LAKH BASE COVER + ₹10 LAKH SUPER TOP-UP	GENERAL RETAIL PLAN (₹15 LAKH BASE)
Religare Health Insurance	Care	₹28,934	₹30,388
HDFC Ergo Health Insurance	Optima restore	₹25,765	BCCL3,119

Annual premium for 60-year-old

5. Insurance or corpus
With medical insurance costs rising, some people may think of replacing it with a medical corpus. However, that is not the right thing to do. "Depending only on a medical corpus will be risky because a serious ailment can wipe out the corpus in a year," says Melvin Joseph, Founder, Finvin Financial Planners.

However, even if they have medical insurance, senior citizens should also maintain a reasonable medical corpus. This is because all medical costs are not covered by insurance. For instance, most policies don't cover OPD treatments; you need to be hospitalised for at least 24 hours to make a claim. Secondly, while all hospitalisation expenses may be reimbursed for younger policyholders, senior citizens will have to deal with several exclusions or co-payment restrictions.

Depending on child's cover
It works well if you are covered under a family floater paid for by your child. What about the health cover offered to your children by their employers? While health insurance policies of some companies cover employees, others give options to add parents at a price. Though these are good, depending on these alone may be risky. "One basic criterion to be used is certainty of its continuance. The corporate insurance will stop once your child leaves the company," says Deepak Yohannan, CEO, My Insurance Club. Changing companies or starting new businesses are common among the young today, so senior citizens depending only on their child's corporate cover may be left with nothing at the time of need.

Porting company policy
Consider porting your corporate cover at the time of retirement instead of buying a new plan. Since insurance companies know your claim history, this transfer will be easy if your health is good. However, the transfer may get rejected if you have health issues. "Since most companies insist on medical checkup for this transfer, the chances of them getting rejected is high," says Joseph.

Why you need to take early cover
High medical insurance cost is the first thing that comes to everyone's mind. More importantly, annual premium on health insurance keeps increasing with age. This increase is applicable for everyone, including people who have a running health insurance cover from a young age. However, one must buy a cover as early as possible. "The premium will be similar at a later age but getting a new cover will be difficult. So, purchase a reasonable cover before you get any health issues," says Melvin Joseph, Founder, Finvin Financial Planners.

Will insurance companies play dirty when you start developing health issues? Earlier, insurance companies used to reject renewals or increase premiums to very high levels (forcing customers to withdraw) in case a customer made regular claims. This played havoc with long term policyholders. However, Irdai has stepped in to stop companies from terminating policies of senior citizens who make regular claims. "Health insurance policies can be renewed lifelong and companies can't reject it or jack up premium for specifi c customers," says Amit Chhabra, Health Business Head, Policy Bazaar.

(The writer is Narendra Nathan.)

TOP

Source

ESIC Special Service Fortnight 2020: From payment of cash benefits to redressal of public grievances – Check offers – Financial Express – 24th February 2020

On the 68th anniversary of the ESI scheme, the ESIC Special Service Fortnight is being celebrated from 24th February 2020 to 10th March 2020. The members of the scheme can avail many services free of cost during this period.

It may be noted that the Employee State Insurance Corporation Scheme (ESICS) provides members financial protection in case of an unfortunate health-related eventuality. The scheme offers medical benefits, maternity benefits, unemployment allowance, disability benefits, etc.

The Employees' State Insurance Act, 1948 (ESI Act), incorporates health-related eventualities which workers are exposed to on a daily basis, including any type of sickness, maternity, temporary or permanent disability, diseases contracted from a workplace, death due to employment, or any type of injury that results in the loss of wages or earning capacity.

What does the scheme offer?
When a company has 10 or more employees, it is mandatory for that company to register with the ESIC. Under such a company, an employee earning less than Rs 21,000 per month contributes 1.75 per cent of their salary towards the ESI whereas the employer pays 4.75 per cent towards the ESI, making a total of 6.5 per cent.

ESIC Special Service Fortnight
On the occasion of the 68th anniversary of the scheme, the ESIC Special Service Fortnight is being celebrated from 24th February 2020 to 10th March 2020. During this period, the ESIC scheme will offer special benefits, which include:
• Health check-up camps daily, for ESI beneficiaries
• Spot redressal of public grievances at ESIC offices/hospitals
• Distribution of health passbooks at the venue of the camps
• Mock fire drill at all ESIC hospitals on 6th March 2020
• Special camps at ESIC office/hospitals for payment of cash benefits and clearance of pending bills of IPs and channel partners of ESIC

New initiatives under Special Service Fortnight
During this fortnight, the monthly contribution has been reduced from 4.75 per cent to 3.25 per cent for employers and from 1.75 per cent to 0.75 per cent for employees. Under the scheme 'Seva Setu Kendra' will be opened for availing health care services and cash benefits.

Major benefits of this scheme
1. Medical benefits, wherein the ESIC takes care of an individual's medical expenses by providing reasonable medical care, in case of any untimely health-related eventuality.

2. In case a temporary disablement of an employee, the scheme ensures monthly wage is paid to that employee for the period of the injury. In the case of permanent disablement, the employee will be paid for the remainder of the employee's life.

3. In terms of maternity benefits, ESIC provides the average daily wages to the employee for a period of up to 26 weeks from the time of going into labor and 6 weeks in case of a miscarriage.

4. Other benefits include sickness benefit, unemployment allowance, dependent's benefit, confinement expenses, funeral expenses, physical rehabilitation, vocational training, and skill upgradation training under Rajiv Gandhi Shramik Kalyan Yojana (RGSKY)

(The writer is Priyadarshini Maji.)

Source

TOP

Why Health Insurance is the need of the hour for you and for your family – Financial Express – 24th February 2020

Health Insurance is designed for people so that they can make use of the risk cover to pay for medical expenses. Health insurance has become very crucial in today's time because of the new lifestyle diseases and rising medical inflation. The fast-paced life nowadays has escalated the possibilities of sickness, prolonged diseases, and high-stress levels causing many heart-related ailments. This has also exposed the individuals and made them further vulnerable to poor quality of life.

Insurers are coming up with new products to meet today's health needs. IRDA is also making a lot many changes to encourage policy seekers. This decade has seen many new diseases and illnesses that have been known to be lethal to mankind. With very little information and treatment aids available for it becomes difficult to bear the medical expenses given the uncertainty involved. Diseases like Zika, Ebola, Mers (Middle East Respiratory Syndrome), more lately Nipah, and now, Corona.

Coronavirus is known to have infected more than 8000 people and has been a major death taking breakout disease in recent days. To fight against the same, insurance policies have now introduced covers against medical check-ups and treatment required for Coronavirus. China has been the most affected by this new-age disease but cases in India have also been reported too.

Some facts that make health insurance an imminent mandate are as follows:

- Urbanization leading to aggravated pollution and environmental problems
- Lifestyle changes have led to an increase in heart diseases, various types of cancer, other chronic illnesses
- Increase in the cost of medication and hospitalization

Why health insurance is a must?

Health insurance policy comes with various benefits and can be easily deployed in case of an emergency or if the illness is identified which would demand immediate attention and treatment. Health insurance plans offer to safeguard against high remedial costs. It covers hospitalization expenses, daycare procedures, ambulance charges, etc. One can focus on the speedy recovery of their loved ones instead of worrying about the medical bills that would show up whilst or post the treatment. Health insurance is undoubtedly deemed crucial.

Health Insurance Benefits

In-patient Hospitalization Cost: Health Insurance policy covers in-patient medical treatment expenses.
Critical Illness Cover: Health plan providers offer a critical illness insurance policy that provides coverage against life-threatening diseases. Upon examination of any of the critical illnesses, one can receive a sum amount that would help initiate and cover the treatment expenses.

Cashless claim: Most of the insurance providers already have this attractive benefit wherein there are predefined hospitals that comply with this feature. If a medical entity supporting this feature is chosen one can obtain treatment without having to pay any amount upfront and the medical bill is settled between the hospital and the insurance company.

Pre and post hospitalization cost coverage: Insurance policy can also cover pre- and post-hospitalization charges up to a period of 60 days including transportation charges i.e. ambulance expenses.

Tax benefits: To encourage the purchase of health insurance it is bestowed with tax benefits, a great feature for most of the individuals who worry about taxes. All the premiums paid towards health insurance are eligible for eligible tax deductions.

Thus, it makes health insurance all the more critical and one must immediately opt for it as a preventive measure. Because having a shield is a better way to meet medical emergencies.

(The writer is Rakesh Goyal.)

[TOP](#)

Source

Do you need Rs 1 crore health insurance cover? – The Indian Express – 24th February 2020

With each passing year, the effectiveness of health insurance plans increases. The new medical therapies and revolutionary medications are also growing as the century is advancing. Health insurance plans are particularly important in this scenario for families. It is vital for each family member to be protected by health insurance because you never know which family member may require medical attention and if they do their healthcare costs, it would bring you financial pressure. You want what is right for your family when it comes to family health insurance plans. However, in India, with the increasing risk of critical illnesses, inadequate health insurance cover continues to put the lives of millions at risk.

A combined report by KPMG and FICCI stated that in India, only 27 per cent of people are covered under a health insurance policy. The number is startlingly low in comparison to our mammoth population especially when the cost of healthcare is escalating and is on a continuous rise. Moreover, 83 per cent of our population remains uninsured and therefore, is not able to avail the best available treatment. Despite the economic growth happening, the penetration of medical insurance still remains low as it is not yet mandatory to buy a health cover in India.

To prove the facts right, here is a recent example. A few months back, Anjali's husband was diagnosed with a tumour in the brain and it was a life-shattering moment for both of them. Adding to the agony, they did not have sufficient health cover that could cover up for brain tumour treatment that cost them over Rs 20 Lakh. And due to the severity of his illness, Anjali's husband could not even go to work. As a result, both of them had to go through a financial turmoil as they had to break their savings apart from asking help from friends and family. A harsh truth is that Anjali and her husband are not alone on the list. There are many people like them who don't know the benefits of having a health insurance cover with higher sum insured. And even those who are aware are mostly in the contemplating phase. Therefore, to help people make the right decision, insurers have come up with 'Rs 1 Crore health insurance' cover.

People, instead of waiting to turn 40, should buy Rs 1 Crore health insurance cover in their 30s. As a matter of fact, many youngsters are also suffering from acute illnesses as a result of a sedentary lifestyle and hereditary reasons. The earlier you buy it the better and more affordable it is. People who have a genetic history of critical illnesses are probably at a higher risk than others of getting a critical illness. An individual is at a higher risk of getting a heart attack if there is a family history of cardiovascular diseases. As a proactive measure, it is advisable you get Rs 1 Crore health insurance cover to avail of the best possible treatment.

One of the major factors contributing to an increase in the number of life-threatening diseases is an unhealthy work atmosphere. As per studies, people who have a high-pressure job or profession, succumb to such diseases at an early stage. Either you can choose to balance your personal and professional life or opt for a health insurance policy of Rs 1 Crore to avoid any financial constraints in the future. You can buy Rs 1 Crore health insurance policy which comes as a combination of the base plan and super top-up policy. Under this plan, the insurer pays for the hospitalisation expenses up to the total sum insured ie. Rs 1 crore.

Here is a price comparison of Aditya Birla's Active Assure Diamond plan that offers Rs 1 Crore coverage. The product is built with the combination of two elements – Rs 5 Lakh Base Plan (which also acts as the deductible) and Rs 95 Lakh Super Top-up. Below is the premium for the product when bought under different scenarios.

Self, 30 years old Male living in Delhi: Rs 9,552
Self-32 and wife 31 living in Delhi: Rs 14,223
Self- 34, wife 33 and kid 2-year-old living in Delhi: Rs 17,312
Self- 35, wife 34 and 1st kid 3-year-old and 2nd kid 1-year-old living in Delhi: Rs 21,058

Lifestyle diseases have been on a constant rise. While most of us make a conscious effort to follow a healthy lifestyle and healthy diet, it is imperative to be financially prepared should there be a health emergency in the future. After all, medical conditions are not always fallout of a poor lifestyle. It may be hereditary as well and Rs 1 Crore health insurance policy would serve as a financial shield against all possible odds.

(The writer is Amit Chhabra.)

TOP

Source

CROP INSURANCE

Revamped insurance plan marks major farm reform – Hindustan Times – 27th February 2020

A revamped flagship crop insurance scheme unveiled last week by the Cabinet is the Modi government's first real reform in the farm sector, with the Centre virtually exiting the scheme and handing the insurance market and states a deciding role, analysts say.

The Pradhan Mantri Fasal Bima Yojana (PMFBY), which became operational in 2016-17, has been hobbled by long delays in paying off claims, upsetting farmers.

To be sure, the scheme is crucial in a country where crops are vulnerable to drought, unseasonal rains and pest attacks. Nearly 54% of the net-sown area lacks irrigation and 12 million hectares, on average, suffer annual weather shocks.

A key change in the scheme is that farmers can now choose whether to buy crop insurance or not. Earlier, insurance was compulsory for any farmer with a crop loan.

This change is not just aimed at addressing a common gripe of farmers, but will also have a deeper impact on premium rates and how the scheme eventually fares, several analysts said, after reading the fine print.

Farmers' share of premium remains unaltered: they continue to pay between 1% and 2% of the total premium. Earlier, the rest of the premium was shared between Centre and states equally.

The Centre has now restricted its share of subsidy to 30% of every ~100 of sum insured for crops in unirrigated areas and 25% for irrigated lands. A straight calculation shows that if the new premium for an insured crop area is 30%, the Centre will now pay 14% and the states pay equal share, since the farmers will pay 2%. For irrigated areas, the Centre will pay up to 11.5%.

But if the premiums are beyond 30%, the states' burden of subsidy will rise because the Centre has now capped its share.

"It is a reform that is aimed to discipline states and ultimately, the scheme itself because state governments have to now take a major responsibility in implementing the scheme because they have to do everything," said Rajeev Choudhary, the general manager of the Agriculture Insurance Company of India Ltd.

Since the scheme has been made optional for farmers, premium rates are likely to go up because only farmers who perceive their crops to be "high risk" will go for insurance, Choudhary said. The earlier scheme made for indiscriminate coverage and companies got a lot of business from low risk areas.

This may not be a bad thing, said Amulya Ghosh, an industry expert, since there was a lot of adverse selection of farmers who didn't really need insurance.

"Giving a deciding role to insurance players and state governments means they will now have to sort out the scheme. Someone will have to do the deep dive," said a senior government official who asked not to be named.

States will not be allowed to implement the scheme in case they make a "considerable delay" in releasing their share of premium subsidy to Insurance companies. Cut-off dates for invoking this provision for kharif and rabi crops (monsoon and winter) will be 31st March and 30th September. According to the official, insurance companies often quoted very different rates for the same crop because states would not provide required data, such as crop failure rates.

The Centre has expanded its share of premium subsidy to 90% for north-eastern states from the existing sharing pattern of 50:50 between Centre and states to promote insurance in relatively uncovered region.

If the new experiment succeeds, it will spell a huge relief for the Modi government, which has often faced huge protests from farmers for unpaid dues and low crop prices, said Ghosh.

(The writer is Zia Haq.)

Source

TOP

Haryana farmers' crop insurance relief exceeds premium paid – The Tribune – 24th February 2020

Farmers in the state received more money in claims than the premium collectively paid by them and the government under the Pradhan Mantri Fasal Bima Yojana (PMFBY) in the past three years.

Ever since the PMFBY was launched in Haryana during kharif 2016 crop season, a total of Rs 1672.03 crore was paid as premium to insurance companies collectively by the farmers, the state government and the Central government. Against this, farmers got Rs 2097.93 crore as claims for crop loss, which is almost 25 per cent more than the premium paid.

In contrast, farmers in neighbouring Rajasthan received claims of Rs 6110.77 crore against premium of Rs 8501.31 crore while those in Uttar Pradesh got Rs 1392.60 crore in claims against premium of Rs 4085.71 crore.

At the national level, an amount of Rs 76,154 crore was paid as premium to the insurance companies, collectively by the farmers, Central Government and the state government, but the farmers received claims of Rs 55,617 crore. The scheme has since been revamped to make it voluntary for farmers and also allow single peril to be covered under it.

"When the PMFBY was launched for the first time in Haryana from kharif 2016, the notification included paddy, bajra, maize and cotton out of kharif crops and wheat, mustard, gram and barley among rabi crops under the scheme. Later, sunflower was added to the rabi crops from the 2018-19 season. The rate of premium was 2 per cent of the sum insured for kharif and 1.5 per cent for rabi crops," said sources in the Agriculture and Farmers Welfare Department, Haryana.

Sources who didn't want to be identified said that the difference between the claims and the premium is largely due to heavy claims in kharif crops, particularly in 2017 and 2018 when cotton crop was badly damaged due to whitefly, resulting in poor yield.

In the very first crop season kharif 2016, Rs 256.84 crore was paid as premium to three insurance companies Reliance General Insurance Company, Bajaj Allianz GIC and ICICI Lombard GIC. Of this, farmers' share was Rs 127.35 crore paid by 1,50,881 farmers, state's share Rs 83.32 crore and central share was Rs 46.16 crore. Against this, farmers received claims of Rs 234.23 crores.

However, during kharif 2017, farmers received heavy claims of Rs 797.04 crore against total premium of Rs 303.65 crore while for kharif 2018 crop, they received claims of Rs 797.29 crore against premium of Rs 580.92 crore.

In contrast, rabi crops proved beneficial for insurance agencies, as they paid out claims of Rs 57.02 crore against premium of Rs 107.8 crore in 2016-17, Rs 85.3 crore against premium of Rs 149.93 crore in 2017-18 and Rs 127.05 crore against premium of Rs 272.89 crore in rabi crop season 2018-19.

(The writer is Sushil Manav.)

TOP

Source

In a first, govt rolls out customised crop insurance policy – The Times of India – 24th February 2020

For the first time, the Centre has come out with customised crop insurance (single peril insurance cover) for states by factoring in one specific natural disaster. Such insurance will first be made available to farmers in Punjab, parts of Haryana and western Uttar Pradesh where farmers are not generally hit by droughts or floods but have to suffer due to hailstorms.

This model, having low premium due to risk coverage against single extreme weather event, will be available to other states or Union Territories (UTs) as well under the existing Prime Minister Crop Insurance Scheme (PMFBY).

"States/UT can offer specific single peril risk/insurance cover under PMFBY even with or without opting for base cover," said Ashish Kumar Bhutani CEO (PMFBY) and joint secretary in agriculture ministry on Friday.

Bhutani told TOI that the move, part of the revamped PMFBY as decided by the Union Cabinet, would help farmers in states like Punjab, Haryana and western UP where farmers generally do not face other risks such as drought due to assured irrigation facilities. "Farmers in such states have generally been victims of hailstorms. They may now voluntarily like to go for this low premium customised cover," he said.

This model of providing cover against single extreme weather event may increase the footprints of the crop insurance scheme. Other states may opt for it by analysing impact of region-specific disaster without going for base cover which attracts higher premium.

The Centre will in due course provide more flexibility to states/UTs as a new separate scheme is in the pipeline, exclusively for farmers in 151 highly water stressed districts in Maharashtra, Rajasthan, Uttar Pradesh, Telangana, Tamil Nadu, Madhya Pradesh, Odisha and Jharkhand.

"Since the PMFBY is now made voluntary for all farmers, a separate scheme will provide effective risk mitigation tools in 151 districts. The existing scheme will continue till we come out with alternative risk mitigation programme," said Bhutani.

Under the revamped scheme, the Centre has not slashed its share of premium by 25% or 30% as interpreted by certain political parties and farm activists. The Centre has simply put ceiling of 30% and 25% on premium against sum insured for its subsidy for unirrigated and irrigated districts, respectively.

The move will not increase any burden on farmers as they will continue to pay premium rate of 2% for kharif (summer sown) crops, 1.5% for rabi (winter sown) crop and 5% for horticulture and commercial crops. The remaining premium amount, subject to the ceiling, will continued to be shared equally as subsidy between Centre and respective states.

States will have to pitch in with more only if premium breaches the 30% or 25% ceiling. New provisions will lead the states to work on mitigating risk factors so that the crops do not attract high premium. It will also prevent arbitrarily jacking up of premium of certain crops.

Officials believe that premium of certain crops in selected districts are currently high due to wrong choice of crops. "You should not go for paddy or other water guzzling crops in water stressed districts. This will jack up premium. The move of putting ceiling on premium will also help in crop diversification and rationalisation in such districts in due course," said an official.

The revamped scheme will now make inroads to north- eastern states as it has increased the central share in premium subsidy to 90% for such states from the existing sharing pattern of 50:50. Arunachal Pradesh, Mizoram and Nagaland had not participated in the PMFBY as they could not even afford to provide premium subsidy under 50:50 share.

(The writer is Vishwa Mohan.)

Source

TOP

PM Fasal Bima premiums may not exceed 40% during upcoming kharif season – Financial Express – 23rd February 2020

The premium under Prime Minister Fasal Bima Yojana (PMFBY) to be quoted by insurance companies may not exceed 40% during the upcoming kharif season —against as high as 75% in many water-stressed and drought-prone area earlier — as most states are unlikely to bear the extra subsidy burden after the Centre's decision to limit its share of subsidy.

According to a recent Cabinet decision, effective Kharif 2020, the Centre will foot the PMFBY subsidy bill only to the extent of its formulaic share, for a gross premium level of 30% in non-irrigated areas. The onus will be on states if they want to implement the scheme when insurers quote any premium above 30%.

Under PMFBY, launched in 2016, farmers pay 1.5% of sum insured for rabi crops and 2% for kharif, while it is 5% for cash crops. The balance premium is split equally between the Centre and states. During kharif 2018, the premium for jowar crop in Chamrajnagar in Karnataka was 72% of sum insured, while it was 75% for sapota in Thane, Maharashtra. Similarly, the premium for bajra in Jaisalmer, Rajasthan, was 55% during same season. Premiums for crops exceeded 30% in as many as 53 districts in kharif 2018 and the crop insurance scheme put a heavy onus on the Central exchequer. The all-India average premium was 12.17% of sum insured in kharif 2016, which increased to 15.82% during kharif 2019. Some states, which had already floated tender for kharif 2020, are said to be in the process of cancelling the bids. While Jammu and Kashmir has cancelled the bids, Uttar Pradesh will re-issue the tender as per revised guidelines, sources said.

As higher premium rates are necessary to sustain insurance companies' interest in the country's 151 water-stressed districts, a separate scheme is under preparation for these areas.

The decision to cap the premium will also help the Centre to check some states who had earlier notified crops not suitable for a district. Such steps of the states resulted in higher premium quoted by the insurers and finally large amount of claims were found to be registered by farmers.

"The government has been focussing on crop diversification from water guzzling crops like paddy from water-stressed areas. After PMFBY, some states started notifying paddy in districts where it was not required and insurers also quoted 45-47% premium. This necessitated a change in policy to cap the premium," an insurance company official said.

Among other decisions, the government also made enrolment of loanee farmers voluntary and extended the contract period for insurers to three years from one year. The Centre was under pressure to make necessary changes in PMFBY after Andhra Pradesh, West Bengal and Bihar decided to exit the scheme citing high costs and the need to customise it based on geographical diversities. The BJP had promised to make PMFBY optional for loanee farmers in its 2019 general election manifesto.

(The writer is Prabhudatta Mishra.)

TOP

Source

Farmers likely to gain from PMFBY revamp – The Tribune – 22nd February 2020

A revamp of the Pradhan Mantri Fasal Bima Yojana (PMFBY) by making it voluntary and bringing in some changes is being touted as a farmer-friendly move though experts fear that this can also lead to hike in premium.

By revamping the PMFBY, the Centre has not only made it voluntary for farmers, but also allowed single-peril insurance. Until now, farmers were required to pay premium for multi-peril insurance.

Sources in the Agriculture and Farmers Welfare Department explained that even in arid areas like Badhra, with no history of floods, farmers had to pay premium for this too, while those in irrigated areas like Sirsa and Fatehabad had to pay premium for drought as well, a rarity in that region.

They said now, farmers would be able to get their crops insured by paying lesser premium on perils like hailstorm, which was actually a bigger risk in states like Haryana.

"The Centre has decided that allocation of business to insurance companies will be done for three years. They were allocated business for a year or even a season earlier. This will cut overhead expenses of insurance companies and hence reduce premium," said the sources.

The sources said while commercial banks were deducting amount of premium from accounts of farmers for the PMFBY, those taking loans from cooperative banks were in a position of advantage as these banks were not forcing farmers into insurance.

They said now, the scheme had been made completely voluntary, whether or not the farmers were taking loans from banks.

The new norms also provided that for estimation of crop loss claims, a two-step process would be adopted, based on weather indicators, satellite indicators, normal range and deviation range.
The scheme provided that only areas with deviation range would be subjected to crop cutting experiments for assessment of yield losses.

Hailing the revamp as a welcome step, Sanjeev Kaushal, Additional Chief Secretary, Agriculture and Farmers Welfare Department, said it would address the biggest grievance of farmers that banks were insuring their crops without their wish.

"Even during pre-Budget consultations with the Chief Minister, several MLAs had demanded that the PMFBY should be made optional and should not be mandatory," he stated.

Dharam Sharma, former consultant, PMFBY, Agriculture and Farmers Welfare Department, said the move would see at least 70 per cent dip in the number of those opting for insurance under the scheme.

"Of the 16 lakh farmers in the state, only 9 lakh loanee farmers are being covered under the PMFBY. Of the other 7 lakh farmers, hardly 12,000 are opting for the scheme on their own. The dip in number will also lead to a hike in premium," he said.

He expressed the apprehension that three-year contract would restrict corrective measures and improvement in implementation.

Gurjeet Singh Mann, a progressive farmer, said making the PMFBY optional for farmers was a step in the right direction. He said farmers who opted for the scheme must be provided policy document so that they could approach consumer forums in case of denial of claims.

(The writer is Sushil Manav.)

TOP

Source

MOTOR INSURANCE

Motor insurance policy lapsed? Know your options of reviving a lapsed policy – Financial Express – 25th February 2020

There can be many reasons why one might miss the renewal date of one's motor insurance policy, and drive around with a lapsed insurance policy. Driving around with a lapsed policy might not have mattered so much in the past, as the driver could get away just by paying a fine of Rs 1,000. However, with the new Motor Vehicle Act 2019, car owners now have to shell out Rs 2,000 for the first-time offence, while for repeating that offence the fine doubles.

Since the new motor insurance rules, experts say car insurance sales have increased by around 3-4 times and around 6-7 times for two-wheeler. The high penalty has made many vehicle owners opt for insurance hastily.

Having said that, renewing a lapsed insurance policy is tougher than renewing an active insurance policy, or buying an insurance policy online. It is so because, as the number of days the renewal has been delayed increases, the options of reviving the policy start getting limited. Nevertheless, there are certain ways to revive a lapsed policy.

What are your renewal options?
You have several options, from approaching an intermediary or an agent, insuring online, or simply walking into the office of any insurance company offering motor insurance, to revive your lapsed cover.

If you go to renew your cover within 90 days of expiry, your previous No Claim Bonus (NCB) will be carried forward. If you delay and go beyond 90 days, that will not only result in the loss of NCB but could also be asked to pay higher premiums.

For renewing your policy online, keep the required documents ready, and log on to the insurer website, then enter your plan details and make the payment. For doing it offline, carry your policy documents to the insurer's branch, to renew it.

Best bet between third-party and comprehensive policy
Third-party insurance alone is enough if you just want to save yourself from paying a hefty fine in case of an accident. Having third-party insurance pays for the losses and injury or damage to the third party caused by your vehicle in case of an accident. However, it does not cover anything related to your own vehicle. This is the reason the premiums for third-party insurance are quite low when compared to comprehensive motor insurance policies which also includes damage to your own vehicle.

If you opt for a comprehensive insurance cover, it is usually time-consuming as the insurance company asks details about the vehicle's condition before approving a policy. In case of reviving a lapsed policy, this can be avoided with a comprehensive plan, if you make the request within 90 days of the lapse of the previous policy. Both web aggregators and online insurers, generally approve for the cover without an inspection if the request is made within 90 days.

If you try to revive a policy after the gap of 90 days, even though few minor damages are ignored, a vehicle with more than four minor dents or a crack in the windshield, the insurer might reject your proposal. Even though most insurers insist on a physical inspection, some insurers also have the option of a digital self-inspection system for physical verification, wherein you have to take pictures or videos of the vehicle use their mobile app.

(The writer is Priyadarshini Maji.)

Source

TOP

Car stolen and meets with an accident? Will the owner still have to pay compensation? – Financial Express – 21st February 2020

Vehicle thefts are usually covered by motor insurance, particularly if it includes comprehensive coverage. However, in case a vehicle, say car, gets stolen and gets damaged in an accident caused by the car thief or someone gets injured in the accident, then who will be held liable to pay the compensation in this case – the owner of the car, insurance company or the thief?

Industry experts say liability is on the car thief, though, usually, the insurance company should pay to the owner of the car or the victim who has got injured, and get the subrogation from the car thief. However, there is no standard process for this as it is not a regular case.

"Usually, car insurance claim cases are straightforward. They can be settled easily by looking at the inclusions and exclusions of the policy, the terms and conditions of the policy, and the nature of the incident. Sometimes, there are cases that need to be analysed from multiple perspectives. These are complex cases and there are no standard processes to settle such claims. Therefore, they need detailed scrutiny," says Animesh Das, Head of Product Strategy, Acko General Insurance.

In the above-mentioned case, for instance, the liability should be on the car thief. However, things are not that simple. There will be a thorough investigation of the case. First and foremost, there needs to be a First Information Report (FIR) filed by the car owner and the insurance company needs to be intimated at the earliest.

The insurance company's surveyor will have a detailed look at the FIR and conduct claim verification. Then various questions need to be looked at. For example, was the car owner being negligent in any way while parking the car when it was stolen?

"The crucial documents required will be an FIR, claim application, and the policy document. The case will be analysed from all angles and if all works out well for the car owner, the insurance company will pay the appropriate amount. The insurance company will settle the claim with the car owner and get the subrogation from the car thief. Having said that, there can be multiple points that can come up while the case is being investigated in detail, and the claim will be settled accordingly," informs Das.

Sajja Praveen Chowdary, Head-Motor Insurance, Policybazaar.com, also says that "in the case of accident, the insurer is liable to pay the claim, as the theft claim will be closed. However, a new claim with reference to vehicle damage will be raised by the owner and the insurance company will bear the claim amount as part of the regular policy."

It may, however, be noted that in the case of a theft, the insured or the registered owner is expected to lodge an FIR with the police immediately and inform the insurance company about the same. A claim is registered on the basis of information provided by the insured. However, any insurer pays the claim amount (maximum being the IDV of the vehicle mentioned on the policy during the policy period) against a theft case only when the vehicle remains untraced for a period of time and it receives the NO TRACE REPORT from the police authorities.

"However, in a scenario where the vehicle is recovered by the police, it will be returned to the registered owner. The insurance company must be apprised by the insured/ registered owner/ policyholder about the vehicle recovery wherein the earlier raised claim case is closed. The insurer registers a new claim for any vehicle damages that are found during the theft period with the consent of the policyholder. All such damages are covered under the standard terms and conditions of the policy and the insurer bears the claim amount as part of a regular comprehensive policy," explains Chowdary.

It is, however, important to note that vehicle damage is only covered under a comprehensive plan which includes both OD (Own Damage) + TP (Third Party) component. If the policy is only a TP policy, then vehicle damages are not covered.

(The writer is Sanjeev Sinha.)

TOP

Source

INSURANCE CASES

Delhi violence: Vehicle damage from riots covered – The Times of India – 28th February 2020

Insurers said, even though the normal window was 15 days for filing a claim, in case of riots they will make exceptions and all claims will be honoured.

Both public and private-sector insurers cited, instances of vehicle damage and burnt vehicles in UP riots/CAA protests in October and November. "There is always a provision for condoning the delay of intimation, for claims covered under policy, in case of genuine circumstances," said Atul Sahai, CEO, New India.

Damage such as fire or looting, resulting from riots or civil disturbance is covered under standard policies for home insurance, business insurance and motor insurance. Insurers said they had mostly faced vehicle damage claims than property damage claims in UP and they expect the same situation in Delhi.

This was not because there was less damage to property, but because less number of people had taken home and business protection insurance. With motor insurance being mandatory in India, vehicle damage formed the bulk of claims filed.

In UP riots, insurers said some claims had come in nearly a month later, which they still honoured - as it had taken time for normalcy to be restored. "We will of course take the ground situation into account and extend a certain grace period," said Sanjay Datta, chief underwriting claims, ICICI Lombard General Insurance Co.

Insurers also said that one's action or inaction during a riot is immaterial to payout of the claim. "The policyholder can be in a hospital or jail, but the claim will still be honoured," said another insurer.

TOP

Source

Max New York Life Insurance asked to pay ₹2.5 lakh and interest for refusing claim on ground of ailment non-disclosure – Mint – 27th February 2020

The New Delhi district consumer forum has asked Max New York Life Insurance to pay ₹2.5 lakh along with interest and compensation to a policy holder's nominee for repudiating claim on the grounds of non-disclosure of ailments. The firm has been asked to pay half of the repudiated claim ₹2.5 lakh, half of the repudiated claim amount, along with 9% interest and a compensation of ₹15,000 towards "harassment, mental agony and pain" caused to the claimant.

The New Delhi Consumer Disputes Redressal Commission termed the repudiation unjust and said the policy was issued after conducting proper medical examination and therefore the company cannot absolve itself of its liabilities by shifting onus on the insured person. Kamla Devi had taken a policy with Max New York Life Insurance in 2010.

After her death, her nominee was denied the benefits of the claim, alleging that the policy holder was suffering from cardiomyopathy, but did not disclose it to the company while taking the insurance. The commission said it would be unjust to allow the insurance company to shirk its responsibility to record about ailment of the insured.

It also said that the insurance company in its discretion could have rejected the application, but it opted and issued the policy. "In the instant case, since the insured died and the policy was issued to her after medical examination, shifting the entire onus on the insured (now died) would tantamount to shifting of responsibility by the OP (opposite party) and does not absolve the OP of its liabilities. "In our considered view, repudiation of claim in such circumstances is unjust," the commission said.

TOP

Source

Insurance firm told to pay Rs 1.55-lakh claim, relief – The Tribune – 25th February 2020

The District Consumer Disputes Redressal Forum has directed HDFC ERGO General Insurance Company Limited to pay Rs 1.55-lakh claim to a Nakodar-based complainant along with 12 per cent interest for three years and Rs 10,000 compensation for causing the delay. The complainant, Charanjit, a resident of Boparai Kalan village, said his son Ravi Pal, who worked with the Punjab Police (last posting at the Mehatpur police station here), died in April 2017 due to brain tumour.

Through his lawyer Harbhajan Sampla, the complainant said his son had purchased an insurance policy, 'Sarv Suraksha', from the company for a period starting from October 20, 2014, to October 19, 2017, covering critical illness. A one-time premium of Rs 2,453 too was paid from the salary account of Ravi Pal. Ravi died during his treatment at the PGI, Chandigarh.

His father said he informed the insurance company about the death. Being his nominee, he lodged a claim on May 21, 2017, against the policy but the claim was rejected on the ground: "The said ailments are not covered under the policy," whereas critical illness was not explained to the insured/deceased, Ravi, at the time of purchase of the policy. As per reports, Ravi died due to raised intracranial pressure, chronic meningoencephalitis and tuberculoma.

The forum went through the copy of terms and conditions in the insurance policy. It listed out 'Cancer of specified severity' on its fourth page under the heading of critical illness coverage. The forum said the policy itself cited that the ailment of the deceased was covered because as per the certificate issued by the treating doctor, the MRI showed left frontal lobe brain tumour and the victim was operated twice.

Thus, the forum directed the insurance firm to pay Rs 1.55 lakh to the complainant with 12 per cent rate of interest per annum from the date of death of the deceased till realisation. It also directed the company to pay compensation for causing mental tension and harassment to the complainant to the tune of Rs 7,000, besides Rs 3,000 as litigation expenses.

TOP

Source

Insurance firm to pay ₹5L to patient for negligence in treatment – Hindustan Times – 24th February 2020

The United India Insurance Company has been directed to pay ₹5 lakh for deficiency of service to a 21-year-old, and IVY Hospital and neurosurgeon Dr JS Tiwana are to pay him ₹30,000 for negligence in treatment in a 2017 case. Furious over deficiency in service and negligence in treatment, the district consumer disputes redressal forum, SBS Nagar, also asked IVY Healthcare Infrastructure to pay ₹30, 000 in compensation to the patient, and fined the insurance company a sum of ₹10,000 for concealing facts before the forum.

On March 1, 2017, Ajay Singh, resident of Dhaingarpur village in SBS Nagar, met with an accident. He was taken to the IVY multi-specialty hospital, where he underwent a cranioplasty and Dr Tiwana performed the bone grafting. Following discharge from hospital, and taking advice from IVY hospital, he went to PGIMER, Chandigarh on March 30, 2017, for a neck surgery. On June 10, when he suffered pain in the head, a scan at IVY hospital found that the grafted bone was inflated and the right eye was swollen. "The hospital and Dr Tiwana advised me to visit Government Medical College Hospital in Sector 32, Chandigarh, which diagnosed that the bone graft in his head was infected. The operation had not been unsuccessful due to negligence and I suffered much pain," the patient told the forum in his complaint.

Upon notice, the hospital representative refuted the allegations saying the complainant was discharged from hospital in stable condition in 2017, and they alleged that had cooked up a story. Considering all facts, the forum, in its order, attributed deficiency and unfair trade practice on the part of doctor, hospital and insurance company in providing treatment. They treated the complainant negligently, and again and again advised him to go to other hospitals for further treatment, as well as received unnecessary charges from him without reason. The forum further directed the insurance to deposit ₹10,000 as costs in the Consumer Legal Aid Account for misleading the forum and concealing the fact that the policy was not valid when complainant underwent treatment at IVY hospital.

(The writer is Jatinder Mahal.)

Source

TOP

PENSION

EPFO mulls rate cut on PF deposits to 8.5% for FY20 - The Economic Times – 28th February 2020

Salaried employees could face a cut in interest on their provident fund (PF) deposits this year with lower yields seen on investments by the Employees' Provident Fund Organisation (EPFO).

The EPFO is considering a cut of 15 basis points in the interest rate on PF deposits in FY20 to 8.5%. Provident fund deposits had fetched 8.65% in FY19. The issue is likely to be taken up at the central board of trustees (CBT) meeting of the EPFO on March 5.

The retirement fund body may find it difficult to keep the interest rate unchanged for this fiscal year, a person aware of the financials told ET. The earnings on longterm fixed deposits, bonds and government securities are down 50-80 basis points over the past one year, said the person. One basis point is one-hundredth of a percentage point.

The Finance Investment & Audit Committee (FIAC) will take a final call just before the CBT meet on the rate of return on PF deposits, depending on the exact earnings of the retirement fund body.

Rs 4,500 crore Exposure in DHFL

The decision will be presented to the CBT at the meeting and it will then take a call on the matter. The EPFO has investments of more than Rs 18 lakh crore, of which about Rs 4,500 crore was in Dewan Housing Finance Corp. Ltd (DHFL) and Infrastructure Leasing & Financial Services (IL&FS), both of which have been laid low by their inability to make payments. The first is undergoing bankruptcy resolution after RBI direction and the second is going through a governmentsupervised rescue programme.

The EPFO invests 85% of its annual accruals in the debt market and 15% in equities through exchange traded funds (ETFs). At the end of March last year, the EPFO had a cumulative investment of Rs 74,324 crore in equities, fetching a return of 14.74%.

However, the government doesn't want to fuel disgruntlement among workers, who won't be happy with lower PF rates.

"Interest rate on EPFO is a big sentiment booster and any cut on it at this point may further hit the employee sentiment," said one of the persons cited above.

The CBT headed by the labour minister is the apex decision-making body of the EPFO that has an active subscriber base of 600,000.

Some of the other issues that will be taken up for consideration include engaging TCS iON for conducting computer data entry skill tests and cumulative performance evaluation of portfolio managers for the period ended September 30, 2019.

(The writer is Yogima Sharma.)

TOP

Source

PFRDA chief mulls separate trust to manage private sector pension funds – Business Standard – 27th February 2020

India's pension regulator is looking forward to setting up a separate trust to manage pension funds of private sector employees and also to regulate all the current pension funds which do not come under any regulations.

"Separation of NPS Trust was required as there was some conflict of interest. PFRDA is the regulator and at the same time, we were also doing a lot of works which NPS Trust should be doing, so there was overlapping. So these are now removed and now, the NPS Trust will be working as an independent body... it will be under our regulation but will independent for their daily activities of management of the funds.

"They will also start subscriber awareness in a big way. Government of India will appoint a number trustees on the board of the NPS Trust. The majority of the funds that NPS Trust manages belong to state and Central government employees," Pension Fund Regulatory and Development Authority Chairman Supratim Bandyopadhyay told IANS.

"We are looking forward to a separate trust for only private sector pension funds. There is a suggestion in the amendment that we have proposed that there can be more than one trust also. It may be so that we will have a different trust looking after the private sector funds. Today the structure is NPS Trust is looking after everything -- private and government sector both. All the funds are in one pool though there is segregation of funds from both sides," he added.

In her budget speech, Finance Minister Nirmala Sitharaman had said that the regulating role of PFRDA requires strengthening. "Necessary amendments would be carried out in Pension Fund Regulatory Development Authority of India Act that will also facilitate separation of NPS trust for government employees from PFRDAI," she had said.

Bandyopadhyay said that there is also a proposal that the PFRDA will be regulating other pension schemes that are not being regulated by anybody right now, like approved superannuation funds which get an approval from Income Tax authorities for their tax benefits. "... But subsequently whether they exist, whether their funds are being invested properly, whether the pension payouts are being made in the right manner, nobody looks into them... PFRDA wants to regulate into these funds also."

Similarly, many other pension schemes in the market currently are unregulated, he pointed out.

Bandyopadhyay said that currently LIC's pension funds are regulated by the IRDAI as it is an insurance company because the insurance companies have superannuation funds.

"There is a free flow between the superannuation funds and the NPS. If some from the superannuation fund wants to join NPS, the entire company can come out and join the NPS and it is already happening... where people are feeling from return point of view, tax benefit point of view, the NPS is scoring higher their existing superannuation funds. Superannuation funds can get 30 per cent lump sum tax relief, in the NPS, it is 60 per cent," he said.

Source

TOP

National Pension System: NPS, APY gaining popularity among pension seekers – Financial Express – 27th February 2020

With the increase in life expectancy, more Indians are likely to live a long retired life. So, it is very necessary to make sure that people accumulate a decent retirement corpus to ensure that they spend the retired life comfortably.

With more people becoming conscious about the importance of retirement savings, demands for government-run pension schemes are on the rise.

Going with the trend, it is expected that around 10-12 lakh new subscribers would be added to its two pension schemes – Atal Pension Yojana (APY) and National Pension System (NPS) – in the current fiscal ending March, said newly-appointed Chairman of the Pension Fund Regulatory and Development Authority of India (PFRDA), Supratim Bandyopadhyay.

One of the reasons for the increased popularity of NPS may be additional tax benefits up to Rs 50,000 per financial year u/s 80CCD(1B) on voluntary contribution to NPS Tier 1 accounts, which is over and above the 80C limit of Rs 1.5 lakh.

By March-end, the pension fund regulator is expected to have nearly 3.48-3.50 crore subscribers on board in its flagship pension schemes APY and NPS.

As of February 22, 2020, total number of subscribers under the two schemes were around 3.38 crore, informed the PFRDA Chairman.

“By the end of the fiscal if you look at APY, there may be another close to 8-10 lakh additions and another 1-1.5 lakh for NPS. So all taken together, around 10-12 lakh new customers should join our fold by March-end,” Bandyopadhyay said.

According to the PRFDA data, as on February 22, 2020, total asset under management (AUM) for these 337.63 lakh subscribers stood at Rs 4,21,336 crore.

Previously holding the position of Whole Time Member (Finance) in the PFRDA for two years, Bandyopadhyay took charge on February 21, 2020.

A science graduate and a qualified Chartered Accountant, Bandyopadhyay was with the Life Insurance Corporation (LIC) for around three-and-a-half decades, before moving to PFRDA.

(The writer is Amitava Chakrabarty.)

TOP

Source

Public Provident Fund maturity to remain tax free in new regime? – Financial Express – 26th February 2020

In the new tax regime, individual taxpayers will not be allowed to take the benefit of certain exemptions and deductions available in the Income Tax Act,1961. Although optional, the taxpayers will weigh the advantage of sticking to the old regime or to opt for the new tax regime. While most tax-saving investments such as PPF, life insurance plans etc will no longer be available to the taxpayers opting for the new regime, will they be able to avail the other tax benefits available to them?

Section 80C benefit on the premium paid in life insurance policies or the investments made in PPF will not be available in the new tax regime. However, even if one opts for the new tax regime, the maturity proceeds of the life insurance policies will not lose their existing tax benefit. "Under Section 10(10D) of the Income Tax Act, the sum assured and any bonus paid on maturity or surrender of the life insurance plan is tax-free. Maturity proceeds continue to be exempt under Section 10(10D) even in the new regime," says Harsh Jain, Co-founder, and COO, Groww.

Also, the interest earned and the maturity proceeds of the Public Provident Fund (PPF) will continue to be tax-free. "The amount received on the maturity of PPF Account and the yearly interest credited on the PPF balance one can still claim tax exemptions for income earned," informs Archit Gupta, Founder, and CEO, ClearTax.

The gratuity up to the limit of Rs 20 lakh received by employees of the private sector and government sector will also remain tax-exempt. "You require a minimum of 5 years of eligibility and qualifying service to get the gratuity as a one-time lump sum benefit," says Jain. For employees who have received VRS money, the same will continue to be tax-exempt under section 10(10C) of the I-T Act. "The VRS proceeds up to Rs 5 lakh is tax-exempt. You must receive this in terms of a scheme as voluntary separation," says Jain.

As per the Act, the least of the following is exempt from tax:
1) The actual amount received as per the guidelines i.e. least of the following
a) 3 months salary for each completed year of services
b) Salary at the time of retirement multiplied by No. of months of services left for retirement; or
2) Rs. 5,00,000

Another important deduction still available under the new tax regime will be the contributions towards NPS. However, such contributions will have to be made by the employer towards employee's NPS account. "Under the new regime, a taxpayer can claim a deduction for the employer's contribution to NPS under section 80CCD(2) up to 10 per cent of basic salary," says Gupta.

However, not employees will be in a position to enjoy such a benefit. "In a case where the employer does not contribute to NPS, the employee cannot claim any deduction under 80CCD(2). Hence, the employee cannot claim any deduction or exemption listed in the 70 deductions and exemptions withdrawn under the new tax regime. The employees may, however, choose to opt for the existing regime and claim all tax deductions if the same is beneficial to them," says Gupta.

(The writer is Sunil Dhawan.)

Source

[TOP](#)

PFRDA plans alternative to compulsory annuity in NPS – Mint – 26th February 2020

The Pension Fund Regulatory and Development Authority (PFRDA) is working on a plan to introduce an alternative to the mandatory annuity that a subscriber has to buy when exiting the National Pension Scheme (NPS).

There are two proposals in the works that the PFRDA will put forth to the finance ministry after the feedback it received from subscribers. "Subscribers told us that they have been getting over 9 percent returns during the accumulation phase. But on retirement, the payout in an annuity plan works out to be much lower. At present, it is at 6.0-6.5 percent. We, therefore decided to come up with alternatives to the existing annuity plan," said Supratim Bandyopadhyay, chairperson, PFRDA, during a press meet.

Subscribers can exit the NPS on superannuation – attaining the age of 60. They have to mandatorily purchase an annuity plan with 40% of the accumulated corpus. For this, NPS Trust has empanelled insurance companies. This has been a sore point for subscribers as well as financial planners as the payout from an annuity plan is low and also taxed. PFRDA is, therefore, working on options besides annuity for the 40% corpus.

One of the options that PFRDA is working on is introducing a Systematic Withdrawal Plan (SWP) for NPS subscribers on maturity as an additional option. An SWP withdraws a fixed amount every month from an accumulated corpus. The remaining money continues to be invested.

If implemented, the Central Board of Direct Taxes (CBDT) would decide on the taxation of NPS. But it could be similar to that of SWF in a mutual fund. The long term capital gains tax for equities is charged at 10% if investments are redeemed after one year of investment. But if the total gains are less than ₹1 lakh in a financial year; there is no tax. In case of debt fund, the long term capital gains tax is charged at 20% with indexation benefit if an investor withdraws after three years of investment.

With SWP, investors will get more freedom to withdraw as per their needs rather than being locked into an interest rate. "The money will remain in the system and subscribers can continue to get better returns than what annuities offer at present," said Bandyopadhyay.

The second option is that PFRDA has its own annuity plan, which would be a variable annuity. In such a plan, the subscriber would get a payout depending on the performance of investments. In many cases, the variable annuity plan also allows investors to choose the instruments where they want to invest.

At present, both the proposals are in the development stage. The PFRDA is consulting with the finance ministry on it and working out on the modalities. "The ministry has asked us to work on the proposals and present the details of how they would work out," said Bandyopadhyay.

(The writer is Tinesh Bhasin.)

Source

[TOP](#)

National Pension System: What happens to your pension if no NPS annuity provider is selected? – Financial Express – 24th February 2020

The primary purpose of introducing the National Pension System (NPS) in 2004 was to replace the defined benefit pension system of government employees with the defined contribution pension system for the employees who joined government services on or after January 1, 2004. The doors of NPS was opened for the general public in 2009.

So, unlike the old pension system, where a government employee used to get a certain amount of inflation-adjusted pension after retirement on the basis of his/her salary structure before retirement, under NPS (earlier known as New Pension Scheme), government employees would make a defined contribution per month to the pension fund on the basis of his/her monthly salary, but the pension benefit would depend on the value of retirement corpus accumulated at the time of retirement.

On retirement at the age of 60 years, an employee may withdraw up to 60 per cent of his/her retirement corpus accumulated in the NPS fund in lump sum and at least 40 per cent of the corpus has to be invested in an annuity scheme of a life insurance company governed by the Insurance Regulatory and Development Authority of India (IRDAI).

If a subscriber retires or discontinues NPS before the age of 60, he/she has to mandatorily put at least 80 per cent of the retirement corpus in an annuity scheme.

For pension / annuity purpose, a subscriber has to select an annuity service provider (ASP) out of the following seven ASPs:
1. Life Insurance Corporation of India
2. SBI Life Insurance Co. Ltd.
3. ICICI Prudential Life Insurance Co. Ltd.
4. Bajaj Allianz Life Insurance Co. Ltd.
5. Star Union Dai-ichi Life Insurance Co. Ltd.
6. Reliance Life Insurance Co. Ltd.
7. HDFC Standard Life Insurance Co. Ltd

Moreover, out of the foll0wing seven generic annuities that are offered by ASPs, a subscriber has to choose one annuity option:

- Pension (Annuity) payable for life at a uniform rate to the annuitant only.
- Pension (Annuity) payable for 5, 10, 15 or 20 years certain and thereafter as long as you are alive.
- Pension (Annuity) for life with return of purchase price on death of the annuitant (Policyholder).
- Pension (Annuity) payable for life increasing at a simple rate of 3 per cent per annum.
- Pension (Annuity) for life with a provision of 50 per cent of the annuity payable to spouse during his/her lifetime on death of the annuitant.
- Pension (Annuity) for life with a provision of 100 per cent of the annuity payable to spouse during his/her lifetime on death of the annuitant.
- Pension (Annuity) for life with a provision of 100 per cent of the annuity payable to spouse during his/her lifetime on death of the annuitant and with return of purchase price on death of the spouse. If the spouse predeceases the annuitant, payment of annuity will cease after the death of the annuitant and purchase price is paid to the nominee

Some of the ASPs, however, may offer some variants, which have slightly different or combination type of annuities.

But, what would happen to your pension, if you fail to select an ASP and an annuity option?

According to the PFRDA, the following default annuity service provider along with the annuity scheme is available to all the NPS subscribers:

- Default Annuity Service Provider – Life Insurance Corporation of India (LIC)
- Default Annuity Scheme – Annuity for life with a provision of 100 per cent of the annuity payable to spouse during his/her life on death of annuitant' and under this option, payment of monthly annuity would cease once the annuitant and the spouse die or after death of the annuitant if the spouse pre-deceases the annuitant, without any return of purchase price.

However, the pension fund regulator has clarified that the default option is being purely provided in the subscribers' interest and to avoid any delay in claim processing and is not with a view to endorse/promote any particular ASP or annuity variant being offered by the ASP.

(The writer is Amitava Chakrabarty.)

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IRDAI CIRCULAR

Gross premium underwritten by non-life insurers within India (segment wise): UP TO Jan 2020 (Provisional & Unaudited) is available on IRDAI website.

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IRDAI formed Committee on studying the feasibility of allowing life insurers to offer indemnity based health policies.

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List of Insurance Marketing Firms as on 31.01.2020 is available on IRDAI website.

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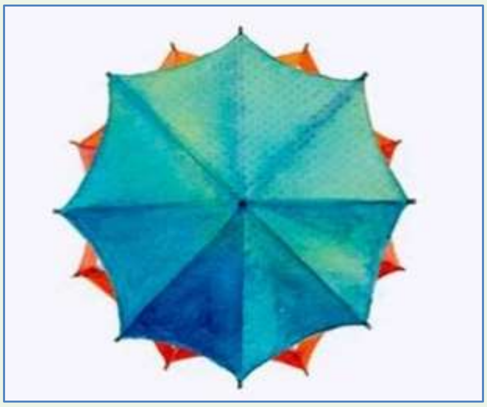
GLOBAL NEWS

South Korea: Co-insurance spells solvency solution to insurers, opportunities to reinsurers – Asia Insurance Review



A regulatory change in South Korea permitting co-insurance to be used as a type of reinsurance arrangement may unlock opportunities and alternative capital sources for insurers, while reinsurers may benefit from greater business opportunities, according to a new AM Best report.

Previously, only risk premiums may be ceded to reinsurers under the Insurance Business Act. The change in regulation now allows for risk transfers associated with other types of risks, such as risks from future interest rate changes and policy cancellations, both of which stem from savings premiums under South Korean regulatory definitions.

The new *Best's Commentary*, titled, "South Korea Regulation Change Brings Solvency Solution to Primary Insurers and Opportunities to Reinsurance Market," states that with the new amendment, a new source of capital may help to provide solvency relief for life and non-life primary insurers with large interest rate risk exposures as they prepare for the upcoming implementations of both IFRS 17 accounting standards, and a more stringent risk-based capital (RBC) regime — the Korea Insurance Capital Standard — and likely will translate into a positive for primary insurers' credit profiles.

Insurance companies increasingly have adopted hybrid or debt securities issuance as a method to improve their available capital positions under the local RBC calculation framework. However, this practice has not been sufficient to mitigate fully the rising interest rate risks for some companies. It also potentially introduces other challenges, such as higher interest expenses and increased leverage.

AM Best also notes that the industry's efforts to lower required capital through narrowing their asset-liability mismatch gaps by raising asset duration are met with challenges such as a limited supply of long-duration assets in the domestic market, as well as volatile hedging costs for overseas investments.

The regulatory change should increase demand for reinsurance, though the ultimate capital relief benefit provided to the industry will depend on the reinsurance pricing and capacity available in the market.

Given the lack of local experience and precedents, AM Best anticipates that the larger international reinsurance players with experience in offering alternative capital solutions will be pioneers in this aspect; at the same time, these developments likely also will spur South Korea's national reinsurer to expand its current scope and product offerings.

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Source

Indonesia: Takaful sector to see sustained contribution growth - Asia Insurance Review

Total general and family takaful contributions rose by 2% and 10% to IDR2.8tn ($202m) and IDR13.9tn in 2019, respectively (2018: 4% and 14%), compared with 16% and 1%, respectively, for their conventional counterparts, notes Fitch Ratings.

In its report, "Indonesia Takaful Dashboard: 2020", the international credit rating agency says that family takaful growth has been outpacing conventional life insurance, which stagnated in 2018-2019, dragged down by the sluggish performance of bancassurance, a major premium contributor.

Fitch expects premium growth to be sustained in Islamic insurance business, mirroring Indonesia's economic development.

Relaxed foreign ownership rules
Fitch believes the government's amendment of a 2018 foreign shareholding rule in January 2020 will make it easier for insurers to carry out a mandated spin-off of their Shariah units by 2024. Indonesian insurance companies were previously required to adhere to an 80:20 shareholding ratio, preventing a foreign shareholder from owning more than the 80% cap. The amendment allows an insurer to spin off its Islamic insurance unit, exempting the unit from the statutory 80% foreign ownership cap.

Government support a key driver
The government published the Indonesia Islamic Economic Masterplan 2019-2024 in May 2019 as a guide for the development of the Islamic economic sector. Fitch expects the takaful industry to benefit from the concrete guidelines of the masterplan for the development of the broader Shariah ecosystem.

Government support is also crucial to smoothening the IFRS 17 transition as takaful operators remain uncertain over the interpretation and application of the rules to their business as the implementation deadline draws nearer.

Low penetration amid favourable demographics

Indonesia has very low insurance and Shariah business penetration. Its life insurance penetration was 1.5% in 2018, which was much lower than the rate in other emerging Asian markets such as India where penetration was 2.7%. Lack of consumer awareness and understanding of takaful products constrain sector expansion.

Regulatory efforts to drive outlook

Fitch expects the takaful segment to continue building on its presence and market share within Indonesia's insurance landscape. Regulatory tightening may hamper near-term growth, but will be beneficial for the sound development of the industry over the longer term. Meaningful advancements on the regulatory front and efforts to drive demand and awareness will be crucial towards facilitating the development of this nascent segment.

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Source

Indonesia: Credit insurance drives non-life growth in 2019 - Asia Insurance Review

The Indonesian General Insurance Association (AAUI) has revealed that non-life insurance premium income reached IDR79.7tn ($5.7bn) in 2019, rising by 14.1% compared to IDR69.85tn in 2018.

Head of Statistics, Research, Analysis of IT & Actuarial at AAUI, Ms Trinita Situmeang, attributed the growth largely to higher credit insurance premiums. Credit insurance grew by 86.2% I from DR7.86tn in 2018 to IDR14.64tn in 2019.

Also, onshore energy insurance premiums soared by 210% to IDR152bn in 2019. Property insurance income grew by 9.7% to IDR20.88tn in 2019. In addition, business lines in the miscellaneous category grew by 37.3% from IDR3.33tn in 2018 to IDR4.58tn in 2019.

On the other hand, transportation, liability Insurance, offshore energy, and accident & health insurance posted negative growth.

The three biggest classes of business in terms of premiums were property (market share of 26.2%), motor (23.5%) and credit insurance (18.4%).

Motor insurance premiums reached IDR18.73tn, which showed almost flat growth of 0.3% compared to 2018 when premiums stood at IDR18.67tn. The anaemic performance was due to car sales which fell 11% while motorcycle sales only grew by 2%.

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Source

Malaysia: Insurers want to decide auto premium rates based on risk profile - Asia Insurance Review

The General Insurance Association of Malaysia (PIAM) says that it is currently in discussion with the regulator Bank Negara Malaysia to adopt a more equitable approach to determining motor premiums through the use of risk-based pricing models.

This will be part of the next phase in motor tariff liberalisation in the country.

The association said, “There will be incentives for safe drivers with accident-free records. In this way PIAM hopes that the high risk drivers will be motivated to effect a change in their driving behaviour to enjoy the benefit of a lower insurance premium.

“The industry eagerly anticipates further liberalisation and look forward to the eventual opening up of the market.”

Underwriting losses

Motor insurance has registered underwriting losses for more than 10 years. In 2019, the motor underwriting loss reached MYR335m with MYR5.48bn paid out in motor claims.

While average premium per policy has been on a downward trend since 2016, the overall costs of vehicle repairs have risen owing to increases in motor spare part prices, amongst other factors.

A major factor is the high accident and fatalities nationwide. Over the past years, PIAM together with its member insurers have worked closely with all stakeholders to support the government’s initiatives to inculcate safe driving behaviour among the motoring public. It was noted in *The Star* report dated 30 January 2020 that the police issued more than 290,000 summons during the Chinese New Year period this year, of which 63% were for serious violations such as running red lights, speeding, driving on the emergency lane and overtaking on double lines.

Call for change in strategy

PIAM chairman, Mr Antony Lee said, “It is high time we started penalising bad drivers to change their dangerous and irresponsible behaviour on the roads. The government should seriously consider a change in strategy since the current strategies had proven time and again to be ineffective in curbing road accidents and fatalities. The police should take charge particularly with the demerit system as per the successful models executed in other countries.”

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Australia: Insurers and banks urged to work with farmers on weather risk products - Asia Insurance Review

Insurers, reinsurers and lenders should work with farmers to develop weather risk products that perform better for all involved, according to Mr Dylan Hirsch, a grain farmer and a scholar studying financial risk management systems in variable climates, including Multi-Peril Crop Insurance (MPCI).

Mr Hirsch said that MPCI, which requires a crop to fail and be assessed before insurers pay out, does not work effectively for many farmers in its current form, reported *Farm Weekly*.

Instead, "derivative" or "index" insurance products should be developed that trigger quicker payouts, without assessment, when predetermined criteria are reached or threshold levels of yield loss occur.

He said, "Previous attempts at managing farm production volatility using MPCI products have become victim of moral hazard (farmers making changes to their operation), adverse selection (unshared information affecting risk) and a lack of government support, with additional taxes and no co-ordination of farm production data.”

He said that the adoption of derivative or index tools should be factored into the cost of agribusiness loans, with the expectation the two would become "symbiotic" to encourage risk aversion uptake.

Furthermore, Mr Hirsch said, governments should remove "unnecessary" taxes from products so as to reduce farmers' financial exposure to weather variability and agronomists and agribusiness consultants should "upskill" in relation to derivatives or index insurance to "fill the void" of independent financial advisors with specific expertise in agriculture.

He said to assist in product development, the Grains Research & Development Corporation, a statutory entity, should invest in industry performance data, including weather station networks, radars, remote sensing and regional grain production reporting.

The Australian Bureau of Agriculture and Resource Economics and Sciences should adapt surveys to capture data similar to that captured by private farm benchmarking groups and the US Department of Agriculture, Mr Hirsch said, to provide a co-ordinated industry data base of weather impact on production.

He said that at a meeting in London, an index insurer revealed a specialised product offered in conjunction with an Irish dairy lender, that reduced loan interest sufficiently to cover the premium cost of the index insurance for dairy farmers.

"This was a fantastic example of a product which combines profitability, risk and capital access to benefit not only the farmer, but their investors and the broader industry and I feel a similar approach would suit farmers in Australia, in particular, us in grain," he said.

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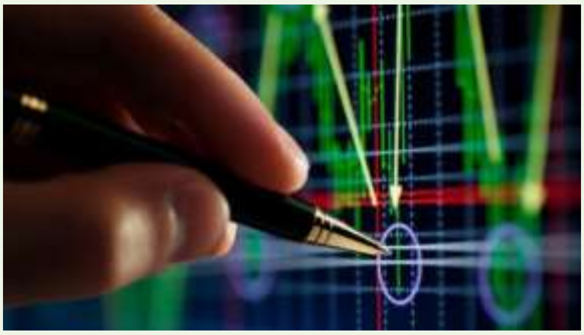
Source

Indonesia: Regulator to use capital market system to supervise insurers' investments - Asia Insurance Review



The Financial Services Authority (OJK) plans to use stock market tools to step up its review of investments in the capital market by the non-bank financial industry (IKNB), to prevent unhealthy investment practices.

The system to be implemented by the OJK has similarities to the unusual market activity (UMA) system adopted by the Indonesia Stock Exchange.

The move to tighten supervision over investments is expected by the insurance industry, the executive director of the Indonesian Life Insurance Association (AAJI) Togar Pasaribu told *Bisnis*. He said that it would “certainly increase trust in the insurance industry".

OJK is reviewing supervisory measures for insurers following poor investment management at two state owned insurers.

According to Mr Togar, comprehensive supervision is more optimal than issuing new regulations. Supervision with an early warning system will curb unhealthy investments, he said.

Mr Togar also said that the freedom of life insurance companies to determine their investment strategies will not be affected by the implementation of the new supervisory measures. According to him, insurance companies still determine their investment policies according to the ratio limitations stipulated by the OJK.

He said that it is important for implementation of the measures to be consistent and positive.

He added, "There are more than 600 shares on the stock exchange, and more than half are stocks with good fundamentals."

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