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QUOTE OF THE WEEK

“For success, attitude is equally as important as ability.“

Walter

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Settlement Option

Definition: Under a settlement option, the maturity amount entitled to a life insurance policyholder is paid in structured periodic installments (up to a certain stipulated period of time post maturity) instead of a 'lump-sum' payout. Such a payout needs to be intimated to the insurer in advance by the insured. The primary objective of settlement option is to generate regular streams of income for the insured.

Description: Under settlement option, the insured receives a regular flow of income from the insurer post the maturity of the policy. An annuity or a pension is type of settlement option where the insured gets regular stream of income after the completion of the maturity period when the insured reaches the vesting age.

Source

INSURANCE INDUSTRY

Budget 2020: Govt may announce steps to liberalise insurance sector, ease restrictions on FDI - Business Today – 21st January 2020

The year 2019 saw a steady flow of the foreign direct investment (FDI) into India, despite comparatively slower growth in the global and Indian economy. FDI inflows until September 2019 stood at $26 billion indicating a 15% growth over the previous year.

As India aims for a $5 trillion economy, the Government is optimistic of continuing to attract foreign investment. The Government's liberalized norms along with a significant jump in the ease of doing business ranking is expected to further boost foreign investment in India which should, in turn, give the much-needed impetus to the economy.

The Government had earlier held a series of meetings with various stakeholders to further relax the FDI norms in areas like AVGC (animation, visual effects, gaming and comics), and insurance. Additionally, important clarifications were also issued by the RBI on the foreign investment framework.

Increase overseas investment limit in insurance to 74%

In the Union Budget for fiscal year 2020, the finance minister had indicated that the government would examine suggestions for opening up FDI in the insurance sector in consultation with all stakeholders. Subsequently, the FDI limit in insurance intermediaries was increased from 49% to 100%. It is expected that the government could raise overseas investment limit in Indian insurance companies to 74% under the approval route from the existing 49%.

The increase in FDI limit could pave the way for foreign players who are expected to bring in new technologies, new products and ensure better market penetration. This will also ensure that long-term funds stay invested in India.

Ease restrictions on FDI by joint ventures or wholly-owned subsidiaries of Indian parties

The existing legal framework under the Foreign Exchange Management Act (FEMA) does not permit FDI by an overseas joint venture (JV) or a wholly-owned subsidiary (WOS) of an Indian party without prior RBI approval because this is perceived as round-tripping irrespective of the source of the FDI.

Round tripping has never been defined in the exchange control regulations. This concept was brought into law in May 2019 when the RBI updated its frequently asked questions (FAQs) on overseas direct investment (ODI) to provide that no Indian company, partnership firm or LLP can acquire a stake in an offshore company that in turn has an existing FDI in an Indian entity irrespective of the level of FDI.

In addition, foreign WOS or JVs of Indian companies have been barred from setting up subsidiaries in India. If an Indian party proposes to make such an investment, it will have to approach the RBI for prior approval, which would be considered on a case-to-case basis.

While the RBI aims to restrict round-tripping as well as overseas structures which were primarily set up to hold Indian assets, taking advantage of beneficial tax regimes while offshoring Indian wealth - the wording of the FAQ appears to be quite expansive and impacts genuine structures.

For instance, an Indian party acquiring even a nominal stake, say one equity share in an overseas company under the automatic overseas direct investment (ODI) route will have to ensure that the foreign company does not hold a stake or makes no investment in another Indian entity, even if it belongs to a different business group. The fact that local money is not brought back to India is not considered in the FAQs.

The Government should introduce norms to carve out bonafide investments. This would help the Indian parties which have made outbound investments to attract FDI in India for their group entities.

Liberalisation of FDI norms

The department for promotion of industry and internal trade (DPIIT) issued a press note on 18 September 2019 (Press Note 4), to introduce relaxation in FDI norms in several sectors like single-brand retail trading, contract manufacturing, coal mining, and digital media. The Government allowed 100% FDI in coal mining and contract manufacturing eased sourcing norms for single-brand retailers and approved 26% foreign investment in digital media.

There is much optimism around these policy changes, as it is expected to attract FDI investments in the manufacturing and retail sector.

Consequential amendments to Foreign Exchange Management (Non-debt Instruments) Rules, 2019

The Government had notified the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (NDI Rules) to introduce certain changes in the FEMA framework such as vest the central government with power over non-debt instruments, vest the RBI with power over debt instruments, clearly define debt and non-debt instruments, amongst others.

The NDI Rules along with the NDI Amendment Rules have helped to provide a distinction between debt and non-debt instruments and demarcate responsibility between the government or RBI for each type of instrument. This is expected to simplify the framework for foreign investment in India and also ease the approval process.

Enhanced scope of special non-resident rupee account

The RBI recently enhanced the scope of non-interest bearing special non-resident rupee account (SNRR Account) by permitting persons residing outside India to open such accounts to facilitate rupee-denominated external commercial borrowings (ECB), trade credit and trade invoicing. SNRR Account can now be opened and operated for business interest in India including Indian Rupee (INR) transactions such as ECBs in INR, trade credits, trade invoicing, amongst others.

Further, restriction on the tenure of SNRR account, which currently is seven years, has also been removed. This move is aimed at popularizing cross-border transactions in INR and fulfil the demand to allow a mechanism to receive trade payments for import of goods and payments to Indian customers.

Road ahead
The proposed liberalisation of the insurance sector, ease of restrictions on FDI by JVs/WOS of Indian parties and other measures taken for liberalizing FDI are expected to spur investments and raise investor sentiment. The government is also expected to announce in this year, two new policies - new industrial policy and national e-commerce policy and introduce labour reforms. With these policies and initiatives, the government hopes to continue India's FDI growth story in 2020.

(The writers are Rajesh Gandhi, Utkarsh Trivedi and Vinita Abhyankar.)

TOP

Source

Budget 2020: Insurance industry pitches for more tax benefits, mandatory home insurance - Financial Express – 20th January 2020

Degrowth in the auto sector and an overall slowdown in the economy have resulted in a slowdown in non-life insurance premiums as well. The finance minister in the upcoming budget could announce measures to stimulate the economy by addressing specific sectors.

Changes that need to brought
There are certain measures that the street is anticipating, this includes cut in Personal Income tax, GST rate cuts in the auto sector, increase in tax sops to boost the housing sector, etc. Such measures would revive consumer sentiments and bring back the domestic consumption story, resulting in higher sales in auto and other sectors. This would help improve sales of non-life Insurance products.

Increase insurance penetration
As long as the going is good, people don't feel that there is a need for any insurance protection. Purchasing any kind of insurance is still looked at as a cost rather than a protection from adverse financial situations. This has resulted in lower penetration of insurance, despite a lot of measures announced by the government as well as the regulator.

To increase the penetration of non-life insurance, the government can bring in more tax benefits, include more products under mandatory insurance cover and roll out more mass insurance schemes. Standardization of policy documents across various Insurance products like health or home insurance could help in a better understanding of insurance products.

Home insurance
A major part of household savings goes into the purchase of the property. The dream of owning a house may just get washed away in a natural calamity. In recent times, there have been quite a few natural calamities, resulting in property losses for the uninsured. Making home insurance mandatory at the time of purchase of the property or giving special rebates (similar to health Insurance) for insurance of houses could incentivize people to buy home insurance. Additionally, the government could roll out a mass product scheme similar to its flagship programs like PMJSBY, PMFBY, etc. for compulsory home insurance under affordable housing.

Income tax deduction
The government may also revisit the Income-tax deductions available under Section 80D for health insurance and could revise the same upwards. Given the ever-increasing medical costs, the finance

minister could announce a higher tax rebate under Section 80D from current Rs 25,000 to Rs 50,000 for self and for dependent parents (age above 60 years) to Rs 75,000 from Rs 50,000. Also, the government could make health insurance mandatory for all employers in the unorganized sector as well.

Goods and Service Tax (GST)

While GST is not under the purview of the budget but the finance minister could subsidize the payment of GST under its flagship schemes like PMFBY or for mandatory Insurance products. Currently, the insurance premiums are taxed at a GST rate of 18 per cent which increases the cost to purchase any non-life insurance. Given that the purchase of such a policy is not done for investment purposes, the government could either lower the applicable GST rate for insurance premiums or could exempt it for policies with a minimal cover or for policies issued under the flagship Insurance programs like PMFBY.

(The writer is Parimal Heda.)

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Source

Budget 2020: Insurance sector expects reforms from FM Sitharaman in Budget; issue of management control holds key – Financial Express – 20th January 2020

The Insurance industry expects the government to increase the limit of foreign direct investment up to 74 per cent in the upcoming budget, The Indian Express newspaper reported on Monday. The FDI in the insurance sector is currently allowed up to 49 per cent and the insurance players expect the Finance Minister Nirmala Sitharaman to take cognisance of the complications faced by insurance companies and announce this reform to boost capital inflow amid the credit crisis.

The Finance Minister had said in 2019 that the government would hold discussions with stakeholders to relax FDI rules in the aviation, media, animation and insurance sectors and ease rules for single-brand retailers. The sector is keen to see FDI limit go up to 100 per cent as the companies are struggling to keep up the pace with the rising cost of operations and declining profits amid an economic slowdown. As things stand now, FDI in the insurance sector is limited to 49 per cent and to bring about a change in the limit of FDI, the government will have to amend the insurance act.

"The FDI limit could be made 100 per cent, encouraging international players to set up in India and expand their footprint, with their own long-term strategies and best practices. However, adequate provisions will need to be made to safeguard Indian customers against the adverse effects, if any, of the FIIs international businesses," The Indian Express newspaper quoted RM Vishakha, MD and CEO, IndiaFirst Life Insurance as saying.

One contentious issue complicating matters for the government, insurance companies and promoters is of management control. The English daily reported quoting sources from the insurance sector that foreign investors are reluctant to infuse more capital in companies without having too much say on management control and operational policies of the company. Many foreign companies had got into the sector with capital infusion when the government last increased the FDI limit to the current 49 per cent level from 26 per cent but a majority of them have exited the market citing poor communication and limited management control.

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Source

Sample insurance products are need of the hour – Moneycontrol – 18th January 2020

What if an individual could sample an insurance product for free? You could understand the benefits of the policy for a few months and then buy a regular product based on your needs. Similar to how one can avail 'free samples' of personal care products and food items on the street or with newspapers, insurers also need to step up to offer a 'taste test' of policies.

Insurance penetration has been a cause of concern in India. With life insurance penetration (premium as a percentage of GDP) below 4 percent and general insurance penetration below 1 percent, there is dire need to make policies more appealing to customers.

One good step taken is the sandbox approach. The Insurance Regulatory and Development Authority of India (IRDAI) on January 14, released a list of products approved under this method. These products will be valid for a six-month period and include user-friendly insurance such as fitness tracker plans in health insurance and pay-as-you-drive in motor insurance.

The method will help collect first-hand feedback from customers before a policy is commercially launched. Similar such short-term products need to be made available on a trial basis for customers as a free sample. Take travel insurance for instance. While there has been a rise in air travel across the country, the commensurate risk covers have not risen. One way to popularise the product could be to offer it as a sample for a few airline customers. Damage to the luggage is something that is common during airline travel. If the insurance product for air travel includes coverage for physical damage to the luggage and is offered as a free sample for a few passengers, it could be a good way to increase awareness.

If the product is offered as a free sample, customers could be more forthcoming in trying it. Once the benefits of the insurance are experienced first-hand, it would be easier to sell a regular product to these individuals. While some may argue that insurance is not like an FMCG product, it is always best to let customers 'sample' a product that they will purchase. Unlike consumer goods that are used within a few days of purchase, insurance is a long-term product making it crucial that the customers are able to 'sample' the policy.

As a starter, product categories such as health insurance, travel insurance, motor insurance and term insurance could be offered as a sample product with small-sized covers. Using analytics, customer behaviour could be tracked to offer a relevant product. For instance, a user booking a trek online could be offered an accident cover through a random selection online for free. Word-of-mouth publicity by the sampler could be used to help raise awareness about the importance of insurance.

Similarly, a basic health plan could be offered to a new-born child based on the parent's e-commerce purchases. Tie-ups with relevant partners could help collect sufficient information for the same. Ailments are common during a child's first year and offering a sample product could help the new parents consider buying a comprehensive plan.

This could be beneficial especially in rural areas and low-income households. For example, an individual buying brick/cement for building their own house could be offered a sample home and dwelling insurance for the first year. It has been over 20 years since India's insurance sector was privatized. Despite this, the fact that insurance is a pull product makes it clear that insurers need to approach policy sales through a different route. Offering select free samples to a few would be a good starter to get the rest into the insurance fold.

(The writer is M Saraswathy.)

Source

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Irdai decides to defer implementation of IndAS in insurance sector – Business Standard – 22nd January 2020

The Insurance Regulatory and Development Authority of India (Irdai) has sought data from companies on their exposure to Infrastructure Leasing & Financial Services (IL&FS), Dewan Housing Finance Corporation (DHFL), India bulls, and Anil Dhirbu bhai Ambani group companies, sources aware of the development said.

“The regulator perhaps wants to see the strength of the insurance companies," said the chief executive officer of a life insurance company. All the four entities, for which data was sought by Irdai on October 9, have been downgraded by credit rating agencies recently.

“Usually, it is left to the insurers on how they deal with downgraded entities. But this may have been done to find if there is any over exposure the insurers have against their asset base," said a former member of Irdai.

When an entity is downgraded, insures' investment in such entities is clubbed under the unapproved investment kitty and the insurers are allowed to have 10 per cent of their investment in the unapproved investment. “If the 10 per cent is breached, there might be some problem, but so far the 10 per cent threshold has not been breached by any insurer," experts said.

There might be concern on the solvency of insurers having exposure to the four entities, the former member of Irdai quoted above said. If such a situation arises wherein the rating downgrade of an entity threatens the solvency margin of an insurer, the insurer has to infuse fresh capital to maintain a solvency margin of 1.5.

The Irdai had in the past asked insurers with exposure to IL&FS to provide for their exposure. A lot of insurers including the state-owned behemoth Life Insurance Corporation have exposure to IL&FS.

(The writer is Subrata Kumar Panda.)

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Source

Brace for higher premium as IRDAI chief says can’t afford insurance industry go airline, telecom way – Financial Express – 20th January 2020

The health insurance policy that you have taken from your bank, office or other organisation may no longer be damn cheap as Subhash Chandra Khuntia, Chairman, Insurance Regulatory and Development Authority of India (IRDAI) has indicated that the loss ratio in Group Health Insurance is currently at an unsustainable level.

While praising insurance brokers for procuring about 43 per cent of the Group Health Insurance business, at the 16th Annual Insurance Brokers Summit 2020, the IRDAI Chairman also cautioned the insurance industry stakeholders of making the segment unsustainable by offering the group health cover at throwaway prices due to cutthroat competition among the insurance providers and intermediaries.

"I would like to give a word of caution here, that though your share in Group Health Insurance is very high, but I think, the loss ratio in the Group Health Insurance is also very high, and probably it is not very sustainable at present. So, I think, the insurance companies and intermediaries, and even the policyholders need to unite to create a sustainable atmosphere. Because in other industries, if there is unfair competition, then the industry suffers, but the clientele do not suffer. This has happened in Airline Industry; perhaps in Telecom also, here and there this is happening. But we can't afford that kind of a situation in Insurance Industry. Because Insurance is an industry for protection – so, if the industry suffers, the clientele will also suffer. As a regulator, we would not like that to happen," Khuntia said.

"So, I think, this is something you all keep in mind – one should not overcharge, but one shouldn't also undercharge. So, that is why, for each line of business, we have to look at the loss ratio and the combined ratio. Create an atmosphere to improve efficiency, so that the premium may come down," he added.

"So, I think, here also brokers can go out and work with the clientele – because you are working for the clientele, for the customers – and (find ways) how to prevent risks from developing, how to manage risk, so that it doesn't assume disproportionate size," Khuntia further said.

The IRDAI Chairman also assured that the regulator would be happy to help the stakeholders of the Insurance Industry in minimizing risks and for that wellness should be addressed along with health insurance, so that the requirement of hospitalisation comes down.

"Not only health, but in every case, wherever protection is being sought through insurance, we should create a situation that the development of risks should be minimized in the first place," said Khuntia.

Although the IRDAI Chairman said that he wants that the Loss Prevention Association be revived and work with clients to reduce risks, but it is clear that the premium of Group Health Insurance or of any other insurance can't be kept at unsustainable level to create existential issue for the Insurance Industry.

So, with the increase in the cost of providing the group health cover, there are chances that either the free health cover given by your employer may be reduced, or the employer may start charging premium for providing health insurance cover.

Also, the gap between the rate of premium between personal health insurance cover and the group health cover may also get reduced.

(The writer is Amitava Chakrabarty.)

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Source

IRDAI chief wants insurance brokers to expand business into smaller cities, rural areas – The Hindu Business Line – 18th January 2020

The insurance broking industry must deepen its business presence in smaller cities and rural areas and not confine themselves to larger metros and cities, said IRDAI Chairman Subhash Chandra Khuntia.

"In a country of our size, there are only 1,000 broking offices largely concentrated in big cities. We have to go down to smaller areas and cities where there is more business. This is a challenge, but you must be mindful of it," said Khuntia at the 16th IBAI Annual Brokers Summit in New Delhi.

The members of the Insurance Brokers Association of India (IBAI) should also start looking at the life insurance segment as a 'focus area' even as they are doing a creditable job on the general insurance growth front, said Khuntia.

"Life insurance should be a new focus area for you. The life insurance industry premium is much larger than general insurance. There are also lots of changes in life insurance," he said.

Khuntia said that interest in insurance broking continues to be strong and that the IRDAI now approves at least 3 to 4 new broking licenses every month.

As of December 2019-end, there were 459 registered brokers in the country. Only 110 of them have a presence in tier 3 towns and beyond (smaller cities).

Khuntia expressed hope that more FDI will flow into insurance intermediaries now that the government has allowed 100 per cent FDI and the IRDAI has already issued the guidelines.

"We must make efforts to strengthen the broking industry. Foreign capital and skills should be made use of for the benefit of creating more jobs. We should learn from international best practices. A time should also come when Indian firms should be able to go abroad and provide our best practices," said Khuntia.

On regulatory sandbox, IRDAI has received 15 applications from intermediaries, including broking entities, and as many as three have already been approved, said Khuntia.

Source

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Irdai chief warns firms against unfair trade practises, predatory pricing – Business Standard – 18th January 2020

The insurance industry may meet the fate of aviation and telecom sectors if product prices are kept low, warned Insurance Regulatory and Development Authority of India (Irdai) Chairman Subhash C Khuntia on Friday.

Khuntia said insurance brokers account for around 43 per cent of the premium collected in the case of group health insurance products. "But, I need to give a word of caution here. Though the share is very high, the loss ratio is also high. It's not sustainable at present. Insurance companies, intermediaries and policyholders need to unite to create a sustainable atmosphere," Khuntia said in New Delhi at an event organised by the Insurance Brokers Association of India.

He said in the case of "unfair competition", other industries, particularly aviation and telecom, have suffered but their customers have not. "But we cannot afford such a situation in the insurance industry as it protects customers. If the insurance industry suffers, the clientele will also suffer and as a regulator, we would not like that to happen."

Aviation is a highly competitive sector where a low-fare regime has been a cause of concern for some airlines. The government has often termed it as "predatory pricing" and cautioned industry against keeping airfares too low in a bid to elbow out competition.

Similarly, the telecom industry is reeling under stress because of fierce competition, especially after Reliance Jio entered the market three years ago. Bharti Airtel and Vodafone Idea posted their biggest losses ever recently.

Asked if companies are engaging in predatory pricing to raise their volume, Khuntia acknowledged it, saying "of course, of course". "The regulator will have to ensure industry runs sustainably. There will be a host of actions, not one kind of action (to check predatory pricing) but we will ensure that the health of insurance industry does not deteriorate," he said.

The regulator also told insurance brokers to be more disciplined in filing their returns and said it is working on consolidating regulations related to insurance intermediaries in a bid to do away with multiplicity of rules.

"I have told officers that there is multiplicity of regulations for intermediaries and there should be common norms to the extent possible and specific norms for different categories. We need to bring all intermediaries in one regulation," he said.

Irdai introduced a Business Analytics Project portal six years ago, automating the process of registration and other connected activities of insurers, brokers, among others. Khuntia said of the 459 brokers, 364, or about 80 per cent, filed return for the financial year 2018-19.

"Some brokers are not submitting the annual returns in time and some are not following the process at all. We should be more disciplined," he said.

Asked about his view on raising foreign investment in the insurance sector from the current 49 per cent, he said Irdai had sought opinions of stakeholders on raising foreign holding to 74 per cent and comments received have been forwarded to the government.

"Now, according to the Insurance Act, 49 per cent is the maximum limit for foreign direct investment. If it goes to 74 per cent, naturally, the Act has to be amended," he said. However, he was non-committal on ownership and control. No decision has been taken, he added.

(The writer is Somesh Jha.)

Source

TOP

LIFE INSURANCE

Stay Away From Traditional Life Insurance Plans – Outlook – 23rd January 2020

When it comes to mis-selling of financial products, insurance is somewhere at the top. What happens in mis-selling is that you are not sold the right product. Rather you are sold a product which the agent needs to sell, often to get the most commissions. This means that you end up with a product that does not suit your needs. Also, you often end up paying high charges.

In this article, we look at one insurance product that has a notorious reputation for being mis-sold- the traditional life insurance plan.

Also known as money-back policies, these products are mis-sold rampantly. You make a fixed contribution every year, get a maturity benefit and also a life cover.

Many of us are paying high premiums for such policies which our parents bought for us or we were sold by an insurance agent.

Such plans seem attractive because of the mindset of people where they want some return on investment for money they are paying. Essentially, it mixed insurance and investment, which is not a wise thing to do.

There are a couple problems with such plans. First, the life cover is very low, only a few lakhs which is not enough. Secondly, the return on investment is very low too.

So let us say the return is 200 per cent of sum assured. It could mean that if your sum assured is Rs 5 lakh, your policy would pay you Rs 10 lakh after say, 20 years. If you calculate how much the return on investment is, it will turn out to be as low as 4 to 5 per cent. Remember, that the promised payouts are at a future time and due to inflation, the actual value of those payouts will be low.

Also, the surrender value of these policies are quite low. If you surrender the policy during the first few years, you will receive only a very small amount. The agent will not tell you this in most cases. Outlook Money has always recommended staying away from traditional policies and buying term policies instead.

Instead of buying such policies, you may get a term policy offering a much higher coverage for much cheaper. The money you save from your premiums can be invested in mutual funds to give you much higher returns. So you end up getting a higher life cover and higher returns over a period of time.

Why are these products mis-sold? The reason is simple. An insurance agent gets a high commission when you buy such a policy. If you buy a term policy from him or online, he earns lower commission. This is because you pay lower premiums.

So in all probability, your insurance agent won't even tell you about a term insurance plan. You might still decide to buy a traditionalpolicy, but the agent will not even tell you about it and how it can be beneficial for you. There are other insurance products that are also mis-sold. Keep following this space for more.

(The writer is Anagh Pal.)

Source

TOP

Want to Save Income Tax by Investing in Life Insurance Policies? Know How to do it Here - India.com – 23rd January 2020

Many people know the importance of saving their income tax by investing in some insurance policies, but very few do it on time. Some people do it in the last moment, only to hurriedly invest money here and there to meet the March 31 deadline.

And as soon as the month of March begins, so many people, especially the salaried people struggle to calculate how much tax they need to pay and look for available options to make the right investments.

With less time left for filing the ITR, taxpayers create the error of investing without evaluating various tax saving products and features.

Hence, while investing in different tax-saving products, it is crucial to know the right investment products at the right time.

Investing a portion of your total savings in some securities is an ideal method of tax planning out of which life insurance is one of the most effective and preferred avenues across all investments.

While the main objective of life insurance is to provide financial protection to its beneficiaries, in case of unforeseen events, it also goes a step ahead to offer a host of tax benefits which is an icing on the cake.

Purchasing a life insurance policy which you feel is suitable for you as it not only offers you protection but also offers tax benefits under Section 80C of the Income Tax Act, 1961 and Section 10(10D) of the Income Tax Act, 1961.

Let's understand how to go about tax planning
Term Insurance
With term insurance, you not fulfil the responsibility of providing a financial responsibility to your family but also avail tax benefits in the process. Any amount for premiums paid towards life insurance policies is eligible for tax benefits. The deduction can be claimed for premiums paid for insuring self, spouse or children. If you are paying for the premiums of more than one insurance policy, all premiums can be included for the tax exemption under the section 80C of the Income Tax Act, 1961. The maximum deduction limit under the section is Rs 1.5 lakh.

Unit Linked Insurance Plan (ULIP)
ULIP is a life insurance product that is an attractive combination of investment and insurance. A portion of the amount invested in ULIPs is used to provide risk cover, and the balance amount is invested in the stock market. By investing in ULIPs, you can easily save tax under sections 80C and 10(10D) of the Income Tax Act, 1961. Since, ULIPs are market-linked, the rate of interest varies. A ULIP comes with a mandatory lock-in period of 5 years and can be bought for a term of 15,20,25 or 30 years depending upon your needs and requirements. A person can invest higher than 1.5 lakh but the maximum deduction allowed is up to 1.5 lakh.

The annual income till Rs 2.5 lakh will not be covered under any tax. If you fall under the bracket of Rs 2.5 lakh to 5 lakhs, you are under the tax rate of 5%. An investment of around Rs 1,50,000 can save you around Rs 7,800. If your income falls between 5 lakhs to 10 lakhs, an investment of Rs 1,50,000 can save you around Rs 31,200 annually. If you fall under the uppermost tax bracket which is 10 lacs and above, the tax rate applies at the rate of 30% which means you save around Rs 46,800.

Taxation on Life Insurance Proceeds
While making an investment, it is not just the tax saving factor that should be kept in mind, the return of the investment factor must also be given appropriate importance. The amount received by a nominee as death benefit and life insurance pay-outs received on maturity qualifies for tax exemption under section 10 (10D) of the Income Tax Act, 1961. Also, the maturity amount you get on ULIPs are also tax-free which isn't available in other investment vehicles such as ELSS.

The bottom line
In order to save taxes last minute, some insurance agents may try to sell you unsuitable insurance policies under the guise of helping you save tax. Another malpractice adopted by some agents is to sell a policy in the first few days of April (i.e. after the March 31 deadline is over) and tell the buyer that they would backdate the purchase to show that it happened in the previous financial year. However, this is not a written commitment and is also not legal. The only right thing you can do is to invest at the right time which is the first day of April itself.

While for a lot of people it might not be practical, then starting tax planning in December can work out for you. It means you don't take any major decision like purchase of any insurance and investing in equity funds without detailed comparison and analysis.

(The writer is Santosh Agarwal.)

Source

TOP

Budget 2020: Life insurance sector expects higher 80C limit, additional tax deduction for pension plans – Financial Express – 22nd January 2020

Union Budget India: In its list of expectations from the Union Budget 2020 that the Life Insurance Council has shared with Finance Minister Nirmala Sitharaman, the Council has proposed additional tax deductions of Rs 50,000 over and above the 80C limit on investments made in pension plans of life insurance companies in the line of National Pension System (NPS).

"For a pension plan issued by life insurance companies, an individual contribution to the pension fund is deductible under section 80CCC under the overall limit of section 80CCE of Rs 1,50,000. It is recommended that in order to reduce gap between taxation of pension policies issued by life insurance companies vis-à-vis NPS, the additional deduction of Rs 50,000 for premium paid (as available for NPS) should be extended to pension policies issued by Life Insurance Companies," said S N Bhattacharya, Secretary, Life Insurance Council.

A consortium of 24 life insurance companies, Life Insurance Council functions together with participation of all the Life Insurers through several sub-committees towards development of the industry. The Council is the face of the Life Insurance Industry that connects the various stakeholders of the industry and leads the advocacy effort on the industry's behalf before the Regulator (IRDAI), Government of India and all other statutory bodies.

Apart from additional tax benefits for pension plans, the Council also wants either separate section to avail deductions on payment of life insurance premium or hike in 80C limit to accommodate additional deductions.

"Life insurance meets the twin needs of providing protection as well as long-term savings with the goal of meeting living needs. It is particularly needed in the absence of the Government's social security scheme that is present in many global economies. We request that Honorable Finance Minister Ms. Nirmala Sitharaman consider a separate deduction to be provided for premium paid on individual life policies. If no separate deduction is provided, the existing limit of Rs 1,50,000 (i.e. section 80C) should be enhanced from Rs 1,50,000 to Rs 3,00,000, since the existing limit of Rs 1,50,000 is too crowded with both short-term and long-term investment vying for its share," said Bhattacharya.

Bajaj Allianz Life Insurance also expects additional tax benefits on pension products and hike in 80C limit.

"Collectively as an industry, we do see a lack of parity in the tax treatment of pension products of life insurance companies and pension products under National Pension Scheme (NPS). Both the products have similar objective of building long term savings for meeting retirement goals, hence, this disparity should be addressed by the government in the Union Budget 2020. Further, in order to enable customers to see life insurance beyond a tax saving tool and invest in it to fulfill their long term financials goals, the government should either consider a separate deduction section or enhance to limit under Section 80C of Income Tax Act, 1961, to Rs 3,00,000, since the current limit of INR 1,50,000 is too low to cater to all the contributions it covers," said Tarun Chugh, MD & CEO, Bajaj Allianz Life.

Aditya Birla Sun Life Insurance, on the other hand, expects additional deductions of Rs 50,000 each over and above the 80C limit for first time life insurance buyers and on purchase of term plans.

"In the upcoming budget, we expect the government to focus on bringing more people under the ambit of Life Insurance, promote long-term savings and encourage capital formation. Introducing separate deduction of Rs 50,000 for first time life insurance buyers, as well as an additional benefit of Rs 50,000 for someone purchasing a pure protection (term) plan will enhance life insurance penetration. Another important move would be to encourage women to insure their lives and savings," said Kamlesh Rao, MD & CEO, Aditya Birla Sun Life Insurance.

Rao also expects extra tax benefit for women policyholders and removal of the 10 times cap of sum assured over annual premium for full tax benefit on maturity.

"Extra tax benefit for women policyholders will be a significant step. Moreover, relaxation of section 10(10)(D), where minimum sum assured is required to be 10 times of annual premium will be a desirable move," said Rao.

Seeking parity with NPS and GST relief, Rao further said, "The budget should also bring about measures to bring parity between pension products offered by life insurers and NPS. Lowering rate of GST at 12 per cent (with input tax credit benefit) will be beneficial for both policyholders and companies. These measures will pave the growth path for the life insurance sector, besides increasing the security net of the nation's people at a very low cost."

(The writer is Amitava Chakrabarty.)

TOP

Source

Think you don't need term insurance? – APN News – 22nd January 2020

Although the insurance sector has flourished in India, many of you might still be kept in the dark about several insurance policies. When you go to choose a life insurance product, your insurer might only show popular traditional options like endowment policies, whole-life policies, money-back plans, and so on. Due to the wide acceptance of these insurance policies, term insurance is an under-rated insurance plan.

According to a survey, only 5% of the Indian population purchases a term insurance policy. A term plan is a pure protection plan, which can offer financial assistance to your family in your absence. Apart from financial security, you can receive many term insurance benefits for you. Therefore, let's go through each and every benefit of a term plan provided to you:

You can clear your past liabilities
At a young age, you might have borrowed loans from the market to meet your financial goals. For instance, you might have taken a travel loan to explore new cities, a student loan for your higher education, or a business loan to start your new venture. When you have liabilities at a young age, you should clear it during your active working years. If you are unable to pay your past debts, you should purchase a term plan, which can offer you with a payout to clear your financial burden.

You can receive a comprehensive coverage
A term plan works towards the financial security of your loved ones in the long run. Due to the prime aim of family protection, it can provide your loved ones with a payout called death benefit. The death benefit can be given to your family members only in your absence. With a term plan, your family can obtain comprehensive coverage to live comfortably after your demise. As the nominees, your family can receive the death benefit as a monthly income or as a lump-sum amount.

You can pay a low price
A term plan can be an affordable option compared to other life insurance products. When you purchase a term plan, you can receive a high coverage at a low rate. However, purchasing a term plan at a young age can be relatively cheaper. During the early phase of your life, you can be less prone to severe health conditions like cardiovascular diseases, kidney failure, and so on. Since you can be physically fit at a young age, your premiums can be low.

Many insurance providers have introduced smart term insurance plans with added benefits. Smart term insurance is comprehensive coverage that shields you from the eventualities of life. Besides, it can provide you with the following advantages as mentioned below:

You can cover your spouse
When you get married, your partner might depend on you financially. Although both of you can be earning, you might have to ensure your spouse remains financially secure in your absence. Hence, you should purchase a smart term plan to cover your partner from the financial setbacks after your demise. That way, your partner can live comfortably without any financial constraints when you are not around to provide for them.

You can look after the educational needs of your children
Parenthood can come with a lot of responsibilities. Until and unless your children settle financially, they would depend on you to meet their financial requirements. With a smart term plan, you can fulfill each and every goal of your child as they reach the most crucial milestone of their life: education.

You can increase the life coverage

Since your life is divided into specific milestones, your financial needs can depend on them. For instance, when you get married, you might have the additional financial responsibilities of your spouse and children, unlike your bachelorette phase. Therefore, you can buy a smart term plan to protect the financial needs of the dynamic life stages by increasing the coverage at every step.

To sum up, the life of every individual can be full of drastic twists and unannounced emergencies. While you might not be able to control the unpredictability of life, you can prepare financially to deal with any challenge that life can throw at you.

To help you with the eventualities of life, you should buy term insurance for your financial happiness in the future. Whether you want to purchase a regular term plan or smart term insurance, identify your family's needs, and compare different plans in the market.

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Source

Govt looking at separate investment window for life insurance policies - The Hindu Business Line – 21st January 2020

The government could consider creating a separate investment window for life insurance policies for tax benefits. Sources close to the development said that the Finance Ministry is considering the proposal to carve out a separate tax window under Section 80C for life insurance policies.

Additionally, the government is understood to be also re-visiting the Section 80C window for income tax benefits that is currently capped at ₹1.5 lakh per year.

"Life cover is different from the other investment avenues that are part of the current Section 80C window, as it is aimed at protection of an individual and also promotes the culture of savings and investment," said a person close to the development, while noting that there is already a separate investment window for health insurance to avail tax benefits for this aim.

Sources said the Insurance Regulatory and Development Authority of India has also given its support to the proposal.

"Life insurance has a very specific purpose and is much different from the other investment instruments that get tax benefits. A separate window would ensure that more people buy this cover," noted another person familiar with the development, while pointing out that general insurance products such as third-party motor insurance is mandatory in nature.

A separate window for life insurance investments has been a long-standing demand of the industry. If the proposal is finally found to be acceptable, a decision could be announced in the Union Budget 2020-21, which is to be presented on February 1.

Under Section 80C of the Income Tax Act, individuals can claim deduction for a plethora of investment-related payments such as premium for life insurance, deposits in public provident fund, contribution to pension account under the Employees Provident Fund Scheme or National Pension System, equity-linked savings schemes and National Savings Certificate.

(The writer is Surabhi.)

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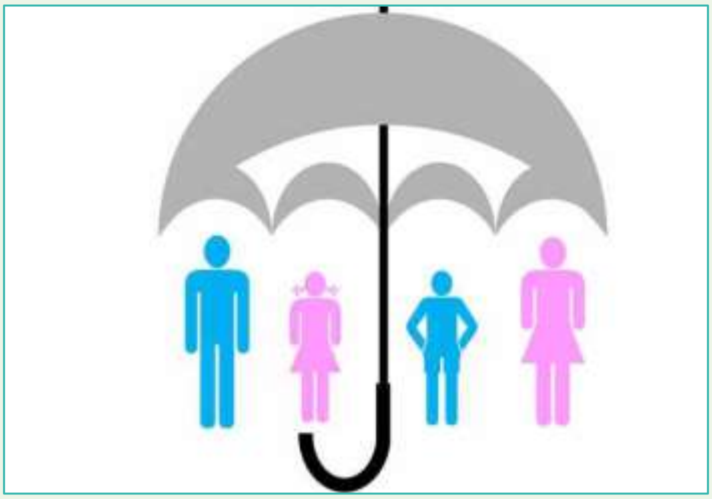
Source

Is term insurance plan of Rs 1 crore enough to cover life risks? – Financial Express – 21st January 2020



A term insurance plan is the purest form of life insurance. Getting a high cover at a less premium is possible only if you opt for a pure term insurance plan over any traditional insurance policy such as endowment or money back. But, if you are looking to buy a term insurance plan, keeping the right amount of life cover is equally important.

Irrespective of the age and other requirements, many of us typically go with term insurance for Rs 1 crore. Even while calculating the premium using the term insurance premium calculator, the sum assured is generally kept at Rs 1 crore. It has become a general perception that buying a term life insurance policy for Rs 1 crore is adequate. But, is that enough? Let us find out.

Life insurance primarily works as an income replacement tool that is aimed to ensure that the standard of living of the surviving family members does not suffer in the absence of the earning member. Additionally, if there are financial liabilities or goals such as home loan, children financial needs etc, they are taken care of through life cover. One needs to properly estimate while buying term insurance as to how much to buy.

That means, arriving at the right amount of life cover needs a more evolved approach and should not be based on thumb rule or guess estimates. "Life insurance offers a range of products to help achieve your financial goals – protection against uncertainties, paying off debts, child's education, retirement, etc. It is essential to identify your needs and calculate an adequate amount of coverage for the same. Also, at different life stages, your family's needs differ. Rising inflation can have effects on an individual's consumption and their standard of living. Hence, it is essential that the future value of money should be considered for calculation when determining adequate coverage," says Satishwar Balakrishna, CFO, AEGON Life.

Some may use the thumb rule while fixing the amount of life cover. As a thumb rule, one may buy cover equal to at least 10 times of one's annual take-home pay. This can be a decent start wherein the amount for long term liabilities may be added to arrive at the final figure. Alternatively, some use the expense-method to arrive at the actual amount. Under it, if the amount of life cover will depend on one's household budget post the death of the earning member.

By following the thumb rule, for someone with a net annual salary of Rs 10 lakh, the amount of life cover comes to about Rs 1 crore. Will this be sufficient to meet family household needs? Now, that will depend on the individual's age and the tenure for which family would require funds to sustain their living.

By investing the death benefit of Rs 10 crore in a bank fixed deposit, the annual returns could be about Rs 7 lakh, assuming the rate of interest of 7 per cent per annum. Further, there could be other financial goals that may still be required to be met.

"Every individual and family's needs are unique. If the only dependent is spouse, for instance, a term cover of Rs 1 crore may be sufficient. If two children are dependents as well, it is possible that a larger sum may be required. Buyers should take a milestone-based approach for buying the right cover." says Balakrishna.

(The writer is Sunil Dhawan.)

Source

[TOP]

Life Insurance Guaranteed Income Plans: Should you opt for them? – Financial Express – 21st January 2020

The point of having a life insurance policy is to safeguard the dependent's financial needs, in case you are not around. Hence, you need to understand at what point in your life you need a life insurance cover. For instance, if you have no dependents on you such as parents, spouse, or children, you should not opt for a life insurance cover. However, if you have dependents on your income, then there is a need to get a life insurance policy.

Karthik Raman, CMO and Head, Products, IDBI Federal Life Insurance says, "At every stage of life, an individual has different financial requirements like child's higher education, purchasing a home or planning for retirement. These financial needs require substantial amounts of money and an individual needs to consider the right kind of life insurance policy that helps him to plan for them and accumulate the wealth to meet each milestone. Additionally, to safeguard against unfortunate circumstances such as the death or disability of the family breadwinner, it is important to consider a life insurance plan. In today's stressful times, it is also important to consider health plans or plans with health riders."

There are various types of life insurance plans available in the market, and it becomes difficult for policyholders to choose from the variety of product available. From term insurance plans to endowment policies, unit-linked insurance plans (ULIPs) to guaranteed income plans, are some of the options and cater to different needs. If you are looking for monthly income options, guaranteed income plans are what you should opt for.

What are guaranteed income plans?
Guaranteed income plans as the name suggests, offers life insurance at regular guaranteed payouts, along with maturity benefits. The guaranteed regular income is at a pre-defined percentage of sum assured chosen by the policyholder. At the time of buying the policy, the policyholder can decide to receive the income either yearly, half-yearly, quarterly or monthly.

The policyholder chooses the duration of the policy, based on which at the time of maturity, the guaranteed additions accrue over a period of time and are paid.

In case of the policyholder's death, the premium payment is waived off in most cases and the nominee of the policy gets the death benefit. Also, after the policyholder's death, the guaranteed annual payouts are provided to the nominee, at the specific points in the policy term, as decided by the policyholder while buying the policy.

Who should opt for a guaranteed income plan?
Long-term guaranteed products usually offer conservative returns and are ideal for risk-averse investors. Experts suggest risk-averse investors should look at the guaranteed income plans to get financial stability. However, before opting for such a plan, try to factor in inflation with the value of your investments. This way you will be safe, and will not bring in a lower return.

The return benefits in case of guaranteed annual payouts are paid in the last 3 or 5 years of the policy. This depends on the policy term chosen by the policyholder at the time of buying the policy. The policyholder gets a terminal bonus, and a reversionary bonus, at the time of maturity.

In case of the policyholder's death during the premium paying term, as the death benefit the nominee gets the basic sum assured along with bonuses if any. In case the policyholder dies after the premium paying period, as the death benefit the nominee will receive the sum assured and the lump sum of payout of whatever is left in the policyholder's account.

After the death of the policyholder, any future premiums are waived off while the policy still continues, with its benefits intact. These income plans offer income tax deduction under Section 80C, along with, tax exemption under Section 10(10D) on the maturity proceeds.

(The writer is Priyadarshini Maji.)

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Source

Supreme Court order to provide insurance benefits for disabled people gets thumbs up - News Hook – 21st January 2020

Earlier this month, the Supreme Court of India passed an order that insurance policies taken for a disabled person by the parent or guardian must be allowed to mature after 55 years of age of the proposer. Earlier, a disabled person could avail it only after death of parent or guardian. This order has been welcomed by members from the disabled community. But they also hope that it will be rightly implemented.

Disabled people face numerous struggles to get benefits, schemes and insurances. Recently, the **Supreme Court of India (SC)** passed a judgment in favor disabled people in India. The SC clearly stated that the insurance policy taken for a disabled person by the parent or guardian must be allowed to mature after 55 years of age of the proposer. Till date, the lumpsum payment could be withdrawn only after death of the parent or guardian. Members from the disabled community says that this is indeed a welcome move from the top court.

A welcome move

The bench of Justices **AK Sikri, Ashok Bhushan** and **Abdul Nazeer** stated that there might be times when a disabled person needs the payment for their expenses. But the current policy restricts them from getting the amount. The court has asked the central government to look into providing exemptions in tax as well.

The court further added, "Even when he/she has paid full premium, the handicapped person is not able to receive any annuity only because the parent/guardian of such handicapped person is still alive. There may be many other such situations. However, it is for the Legislature to take care of these aspects and to provide suitable provision by making necessary amendments in Section 80D of the act".The court looked into matter after a plea was filed by **Ravi Agarwal**, who is a disabled person. Reportedly, there has been a rising demand for this plea from the disabled community.

Responses from the disabled community

Disability rights activist **Nipun Malhotra** is the founder of **Nipman Foundation**. He says, "I am happy with this latest order from the Supreme Court. A person with disability has additional costs when compared to a person without a disability. So at times, a lump sum amount can be life-saving experience to them. It is great that they can get the amount when their parents are alive. I hope the court focuses on health insurance of disabled people as well".

Unni Maxx, a disability rights activist from Kerala says, "This is a great decision from the Supreme Court. Many disabled people are unable to get proper medical treatment due to financial constraints. They are the ones who will benefit the most from this". Disability rights activists cheer for this latest order from the top court. But they are also waiting to see if this will be implemented correctly.

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Why Life Insurance companies are missing women customers - Financial Express – 20th January 2020

Are women adequately insured in India? The answer is a clear 'No'. Although 48% of the citizens are women, less than 30% of insurance policies are owned by them. That too, for inadequate sum assured. The risk cover purchased by women is 22% less than what men have purchased on an average. This is not good news for the life insurers and the insurable women of the country. Insurers are not able to reach out to the female population effectively, resulting in lower insurance penetration of the industry. Also, women are not able to see enough value in life insurance.

The role of women in society has undergone a sea change in India. They are better educated now and are earning fairly well. In many situations, they are the primary breadwinners of the family. Unless, women use life insurance as protection and savings tool, they are not likely to meet many of their financial goals.

Now, women have to support aged and disabled parents for a pretty long time. If something happens to the earning women, there will be no one to look after their parents. If there are life insurance policies with the provision of providing a lump sum or an annuity to the dependent parents, that can be a great help to the parents in the event of pre-mature death (or disablement) of their earning daughters.

Insurance for protection

Women should be made to understand that they need to buy life insurance not just to provide financial protection to their families, but primarily to make adequate future provision for themselves. How are women managing their finances now? Most of them let the male members of the family handle their finances.

Even our society does not always believe that women should be heavily insured. The result is there for all of us to see. According to an Irdai survey, 277 out of 10,000 males purchased life insurance in 2017-18. The corresponding figure for women is only 138. In other words, life insurance penetration is 50% less in women than in men! And this is happening when the participation of women in the regular workforce is on the rise everywhere in the country.

Endowment policies

Most endowment type policies have borrowing facility to the tune of 90% of the surrender value, while protecting the risk cover. Money back policies are equally useful as these give a portion of the sum assured at pre-determined points of time, while the risk cover remains the same. This is an ideal way to reach the financial goals in time. Many life insurance policies offer critical illness riders at moderate cost. Such riders can help a woman meet expenses associated with medical treatment.

There should be more women-specific products in the country. The risks of a women's life are different from men. Life insurers should launch products that can immediately appeal to women. If women customers start accepting life insurance as an effective savings and protection tool, that can benefit crores of Indian families and the women themselves.

That can benefit insurance industry, too. As on March 31, 2018, 27.8% of the agency force comprised women. That's a big number since total number of insurance agents is more than 2 million now. The women customers can discuss their financial and health matters more freely with the women agents. So, insurers need to train their women agents specially, so that better penetration into the women's segment becomes possible.

(The writer is Nirjhar Majumder.)

Source

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What happens when you don't pay your life insurance premiums? - The Hindu – 18th January 2020

An insurance company's obligation to pay out is contingent upon whether the premium has been paid

There's a famous quote by Khalil Gibran — "Forgetfulness is a form of freedom." This quote might be a good fit in most circumstances but, when it comes to insurance, forgetfulness can work the other way around.

When you buy a life insurance policy, the insurance company's obligation to pay out is contingent upon whether you have paid your premiums or not.

When does a policy lapse?

After you buy any kind of insurance, you have to pay a certain amount of premium every year till the term of the insurance ends. For some reason, if you are unable to pay the premium due even within the grace period provided by the insurer, your policy will be terminated.

It also depends on many factors, the most important being the type of insurance policy you own. In term insurance, failure to pay the premium before the due date results in the policy lapsing, which forfeits your insurance benefits and the premiums paid so far. In case of ULIP (unit-linked insurance plan), if you skip paying the premium in the first five years or during the lock-in period, the policy is considered lapsed. Your benefits move to a discontinuance fund and is payable only after the lock-in period.

In India, as per the guidelines set forth by the Insurance Regulatory and Development Authority of India (IRDAI), all life insurance policies are legally required to honour a grace period, typically 30 days from the due date of payment. Insurance companies understand that the insured might not always be able to pay the premium every time before the due date. This is the reason that almost every insurance policy offers a grace period.

The policy is still in force during the grace period, and if anything happens to the insured, the nominee would still be eligible for the benefits. However, once the grace period is over, the policy is considered lapsed and the death benefit will not be paid. Grace period payments are almost always higher than standard premium payments.

Reinstating policy

If your life insurance cover lapses due to some unavoidable circumstances, it doesn't have to be the end of the world. Many companies provide an option of reviving the lapsed policy within a specific time frame.

However, the process could be more expensive and involve another medical check-up and/or a penalty amount. Though the reinstatement of a lapsed policy could be different for different insurers and depends on the elapsed time, the product type and the insurance cost etc. a policyholder can apply for it.

Firstly, the insured will have to submit proof of continued insurability. These documents vary from insurer to insurer and also depend on the time elapsed. Secondly, revival can happen any time but the condition for revival might depend upon how long your policy has remained lapsed. As per insurance laws, if your policy has been in force for at least three years, insurers give you a window of two years to revive your policy by paying the due premiums and penalty interest that could be 12-18% of the total premium. But the more you delay reviving your policy, the more difficult it may get. However, if you revive within six months of its lapse, the restoration process is simple.

Lastly, if the insurance company sees fit, the insured might have to undergo a medical examination. Post the successful accomplishment of these conditions, the insurer decides if your policy is eligible to get reinstated or not.

New policy versus old

The premiums for term plan increase with age. For instance, Karan had bought term insurance at age 26, which covers him till 70, with an annual premium of ₹8,000. Due to financial problems, he paid the premium for only two years and let the policy lapse. He paid a total premium of ₹16,000 for the two years. Now, he has got only two options viz. either to buy a new policy or reinstate the current one. Let's assume that he wants to review the policy after two years of the last premium paid. The insurer will charge him a renewal fee, late fee plus interest charges for the premiums due for the last two years. The total cost might add up to a total of ₹22,000-25,000.

Alternatively, if Karan, at the age of 30, plans to buy a new policy, it will cost him around ₹10,000 annually. If we calculate, by buying a new policy he is not only losing out on the premium he paid for the two years but also adding the cost to a new policy which is almost ₹2,000. This add-up cost will make a difference in the long run.

So, it's always better to first try reinstating your policy if your insurer allows it. However, if you can't reinstate, consider replacing the policy with a new one. The important thing is to ensure that you and your loved ones remain protected in case something bad happens to you.

Not having a life insurance plan, especially a term insurance plan, means your loved ones are not financially protected in the event of your death.

(The writer is Santosh Agarwal.)

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Source

Life insurance opportunities for millennials – Outlook – 18th January 2020

India has one of the largest Gen Y populations of the world. Also referred to as the millennial population which comprises of the people born during the period 1981-1996, their population in India is estimated at 426 million, which is approximately 34 per cent of the total Indian population. Further, it is also estimated that the millennial population forms approximately 47% of the total work force. According to research by Deloitte, the generation has become the chief bread earner in most Indian households.

The consumer market in India is now largely driven by the millennial population. They are the largest demographic group with a higher level of disposable income and strong exposure to digital technology. Being connected digitally, they are not only more aware of their needs but also have the ability to drive consumer behaviour. Thus, the demand to evolve and match the needs for this population has become very strong for all markets.

Information is easily available in this digital generation and the awareness on insurance needs is higher. The generation is also more aware of type of plans that are most suited for them. The plans most suitable for and popular amongst this generation are:

Term Life Insurance Policy: The basic insurance needs continue to hold good for this generation as well, since they are currently the bread winners with higher disposable incomes the need for financial protection through risk cover is very strong.

Annuity or Pension Plans: The life expectancy of this generation is high due to the availability of health facilities and awareness; clubbed with a higher standard of living, the need to have sufficient pension planning has become more critical.

ULIPs: This generation is more aware of the equity investments and thus better placed at taking full advantage of the Unit linked plans where the savings are invested in the equity markets. These plans have the potential to achieve high returns but come with potential risks as well.

Endowment plans: Though becoming less popular there is still enough uptake for these plans as an option for a portion of savings with guaranteed returns clubbed with tax benefits.

On the face of it these are basic insurance needs that have been prevalent for previous generations as well, but the difference lies in the way they are perceived and the service needed by this generation. The demand for customer centricity and flexibility is very strong. Added to that the digital exposure requires most solutions to be available on fingertips and with lightning speed. This has made many insurers invest strongly in technology solutions and has also led to the rise of various insure-techs offering tailor made and simple solutions for this market.

In conclusion, although the insurance need still stand upright; the millennial generation is driving the new face of insurance sector.

(The writer is Casparus Kromhout.)

Source

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GENERAL INSURANCE

Insurance against terrorism - The Economic Times – 23rd January 2020

The uncertain times that we live in today call for covering risks on all fronts. In this regard taking insurance cover against terror attacks is not understood that well.

Strange as it may seem, while everyone understands terrorism, there is no universal definition to it. Various legal systems and governments use different definitions. A common thread across all descriptions of terrorism would be the use of violence or of the threat of violence in the pursuit of political, religious, ideological or social objectives.

Anti -Terrorism laws have always been subjected to a lot of political debates over fear of misuse and India has its share of such controversies. The Terrorist and Disruptive Activities (Prevention) Act 1987 or TADA, was perhaps the most infamous terrorism law that was brought in force under the background of the Punjab insurgency in 1985 and resolved in 1995.

The Prevention of Terrorism Act 2002 (POTA) was the next potent law to tackle terrorism, but this was repealed in 2004. When POTA was annulled, some of its provisions were incorporated in the Unlawful Activities (Prevention) Act 1967 and presented as the updated version of the Act in 2008. The scope of UAPA or Unlawful Activities (Prevention) Amendment Act, 2008 is much wider, embedded with acts of terrorism and this Act is currently in force with amendments added from time-to-time.

Why terrorism cover is necessary?
Who could forget the sight of aircrafts crashing into the US World Trade Centre or the attack on Taj Mahal Palace hotel in Mumbai. While these horrendous events remain etched in the minds of people, the economic loss caused by these events are perhaps less unknown and unrecognized.

While the WTC was never built, Taj hotel had covered both Property Damage and Business Interruption arising out of terrorism. It took more than three years to finalize the claim and renovation itself took about one and a half years to complete at an estimated cost of Rs. 300 crores.

Terrorism Cover in India
India has created a Pool for Terrorism with all rates, terms and cover standardised. Insurers cede all terrorism premium collected on this cover to the pool after deduction of an administration cost.

This cover also includes loss, damage, cost or expense directly caused by, resulting from or in connection with any action taken in suppressing, controlling, preventing or minimizing the consequences of an act of terrorism by the duly empowered government or military authority.

Provided that if the Insured is eligible for indemnity under any government compensation plan or other similar scheme in respect of the damage described above, this Policy shall be excess of any recovery due from such plan or scheme.

For the purpose of the aforesaid inclusion clause, "Military Authority" shall mean armed forces, paramilitary forces, police or any other authority constituted by the government for maintaining law and order.

Limit of Indemnity
The limit of indemnity under this cover shall not exceed the Total Sum Insured given in the policy schedule or Rs 2,000 crores whichever is lower. If there are several insurance policies within the same compound/location and/or arising out of single event with one or different insurers the maximum aggregate loss payable per compound/location and/or arising out of a single event by any one or all insurers shall be to Rs 2,000 crores. If the actual aggregate loss suffered at one compound/location and/or arising out of a single event is more than Rs 2,000 crores, the amounts payable towards individual policies shall be reduced in proportion to the sum insured of the policies.

From the definition of terrorism it is clear that any act or a series of acts committed by an individual or group of persons acting alone or in a group, for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public or any section of the public in fear for such purposes becomes an act of terrorism. So, the intention of the act is key for it to be declared an act of terrorism. An explosion set off at a place will not become an act of terrorism unless these conditions are fulfilled. An act of sabotage need not be an act of terrorism. Military action taken against terrorists can cause a lot of collateral damage and such damages are covered as well.

The total cover available per compound/location is limited to Rs 2,000 crores. This includes all loss or damage caused to property and loss of profits caused by business interruption. The absence of a definition for compound and location throws this open to a lot of interpretation. Units located in an SEZ for instance can be interpreted as one location or take the case of a large Technology park that houses hundreds of tech companies, they will fall within the per compound definition. The cover available for all occupants and the owner of the building put together in such location/compound will be limited to Rs 2,000 crores. This would be for Property Damage and Business Interruption combined. The amount in such cases will be shared between occupants based on the sum insured of their policies.

Enterprises may not therefore receive full compensation in such cases, and it might make them uneasy to know that there is uncertainty in their terrorism cover even though they might have insured their losses fully.

Large businesses that have a combined property damage and business interruption sum insured exceeding Rs 2000 crores per compound/location are permitted to seek a standalone terrorism cover outside the pool. Such covers are available from the reinsurance market and it would be safer for such businesses to insure their company under a standalone cover. The standalone policies have wider coverage and will ensure that the organisation stays fully protected without having to fear of sharing indemnification under their policy with other occupants in one location/compound.

(The writer is Vinay Kumar C.)

Source

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Going for a trip? Here's why you should get a travel insurance - CNBC – 23rd January 2020

Benefits like missed connection flights and accidents during travel are some of the other benefits available under travel insurance.

Besides conventional protection services, leading players are now facilitating custom insurance plans for their consumers.
The need for insurance in India is largely triggered by the flight delay and serves to safeguard against any undue hassle.

Nobody wants to have a hostile experience while travelling. However, problems are inevitable and it can slink anytime and destroy an otherwise perfect journey. Tourists cannot be totally invincible to issues, but they can surely ensure to take some curative actions in advance to overcome such issues. Here arises the need for travel insurance, which safeguards travellers against the risks and uncertainties associated with travelling.

Here are key things to know about travel insurance and its growing demand:

Benefits of travel insurance
According to Sunil Gupta, managing director and chief executive officer of Avis India, travel insurance offers additional flexibility and convenience. "By opting for travel insurance, travellers can protect themselves from the hefty costs that they may have to incur abroad due to an unforeseen change of plans such as flight cancellations/delays and medical emergencies," he said.

Benefits like missed connection flights and accidents during travel are some of the other benefits available under travel insurance. "Lost luggage issue is also covered by the insurance policies, so one cannot only book, but also travel with some peace of mind," said Varun Chadha, chief executive officer of TIRUN.

How it helps the travel companies
For travel companies and insurance service providers, these products provide an additional revenue stream and improve the overall customer experience.

"It is a win-win proposition for all stakeholders in the travel value chain," Gupta of Avis India said.

The current scenario
Besides conventional protection services, leading players are now facilitating custom insurance plans for their consumers. The goal is to enhance the travel experience by making travellers feel safer in unfamiliar locations, with 24-hour access to all-round support.

"This focus has sparked synergies between mainstream and niche players, which brands are actively leveraging as a strategic advantage. Now brands cannot only offer cost-efficient and personalised subscription travel-insurance opportunities but also reward repeat customers and drive loyalty," said Dharamveer Singh Chauhan, co-founder and chief executive officer, Zostel.

Is travel insurance mandatory?
According to Balu Ramachandran, senior vice president at Clear trip, insurance is mandatory in many destination countries to cover for any medical emergency, "This is especially true for developed countries where this cost can be exorbitant," he said.

In India, however, it is not compulsory to have travel insurance when travelling abroad. Although it is always advisable to get it, experts suggest. The need for insurance in India is largely triggered by the flight delay and serves to safeguard against any undue hassle.

TOP

Source

You needn’t buy car cover from a dealer – Mint – 22nd January 2020

Car maker Maruti Suzuki India Ltd is under the antitrust regulator Competition Commission of India’s (CCI) radar for pushing buyers to purchase insurance policies offered by the company. According to a recent *Reuters* report, in June last year, CCI received an anonymous complaint alleging that customers paid more for insurance plans recommended by Maruti dealers compared to other options available in the market.

While the matter is still under investigation, it is commonplace for car dealers to bundle up insurance with the cost of the car because you mandatorily need a third-party (TP) liability cover to drive the car out of the showroom. In your excitement, you may not pay too much heed to what it costs or what the policy offers. “Getting an appropriate policy with the right coverage is what people usually neglect. Most people don’t like reading up the details of the coverage. Ever so often, we notice customers selecting an insurance company purely because of the low cost without realizing that lesser premium could mean not having adequate cover," said Gurneesh Khurana, president and country head, motor business, Bajaj Allianz General Insurance Co. Ltd.

Here are a few things you must consider before buying a motor insurance policy.

Choose the insurer
A TP cover is mandatory in India, according to the Motor Vehicles Act, 1988, and you cannot drive your vehicle out of the dealer showroom without it. However, that does not mean you need to buy insurance from the same dealer. A TP policy covers you in case the insured vehicle causes damage to the life or property of a third party.

“Selling insurance forcefully and that too from a specific company is against the regulatory guidelines. If any automobile dealer is forcing you directly or indirectly to buy a policy from them by saying that buying insurance from them will help in getting discounts on the premium or the on-road vehicle price or any other benefits, then you can lodge a complaint with Insurance Regulatory and Development Authority of India (Irdai) or CCI against such practices," said Rakesh Goyal, director, Probus Insurance Broker Ltd.

Check the company’s ranking in the industry, the claim settlement ratio, user reviews, customer support and distribution in terms of cashless arrangements with the network garages. “This information is readily available on insurer websites but one can also call the company to find out more," said Sajja Praveen Chowdary, head, motor insurance, Policybazaar.com. If the repair is done in a network garage, then you can easily opt for cashless settlement.

Look at cost, features
If you are looking at purchasing the policy that your car dealer is offering, find out about the add-on covers, terms and conditions and compare them with the offerings provided by other insurance companies. Also, compare the premiums. While TP rates are the same across insurers and are fixed by Irdai, the difference in premiums is on account of any add-on covers or if you opt for a comprehensive cover. “Very often customers are duped into paying higher premium for a motor policy, which may or may not include any add-ons," said Chowdary.

The good news is that there are many web aggregators that not only give you the premium rates but also give a break-up to reflect the cost of any additional covers.

Go through the break-up carefully and note the insured depreciated value (IDV) of a vehicle. IDV is the value the insurer will pay if your vehicle is completely damaged or stolen and could differ across insurers. Choose the IDV that best represents the value of your vehicle.

There will be a variation in premiums when you buy a comprehensive motor insurance policy instead of just a TP cover. A comprehensive policy throws in other covers such as own-damage that insures your vehicle against theft or damage, and passenger cover that insures the lives of the passengers. While the premium difference is stark when you opt for a comprehensive policy as against the mandatory TP policy, there may be a difference in premiums even between comprehensive policies from different insurers due to the underwriting practices of the insurer and any add-on covers.

“While buying a comprehensive cover, take note of add-ons such as a zero depreciation cover, road side assistance cover, engine protection cover and a consumables cover," said Indraneel Chatterjee, co-founder and principal officer, RenewBuy.com, an online insurance broker. It is important to understand your requirements as these are additional covers and are not included in your comprehensive car policy.

Other add-ons include covers that protect your no-claim bonus (NCB) or offer you a daily allowance or a substitute vehicle when your car is being repaired. NCB is a good incentive for careful driving. Chatterjee said it can be used to avail a discount in the subsequent year provided the policyholder has not made a claim before.

Mistakes to avoid

Your dealer may induce the fear of losing out the benefits if you don’t buy insurance instantly from them, but don’t fall for it. You can get back to the dealer, agent, broker or the insurance company after doing a thorough research and make an informed decision. “Any promises or claims about getting benefits such as approval of loans, discounts, or any other benefits that seem unauthentic should be verified either by other resources or third-party advisory or consultants," said Goyal.

Not looking for applicable discounts at the time of renewal, preferring lower deductibles, the part of the claim which you need to bear, even at the cost of paying higher premiums, and not opting for the right add-on covers are some of the common mistakes you should avoid.

(The writer is Disha Sanghvi.)

TOP

Source

Insurance covers that protect cos from cyber attacks, data thefts & frauds – Business Standard – 22nd January 2020

With Indian businesses and organisations increasingly moving to digital processes in their operations, many of them are taking cyber insurance covers to protect themselves against cyber attacks, data thefts and frauds. “Initially, the demand was coming from the IT/ITeS companies, but now it is coming from all the industry segments. Post the ransomware attacks of 2017, the demand for cyber insurance from the manufacturing sector has been on the rise,” said Sanjay Kedia, country head and CEO, Marsh India Insurance Brokers.

“With the introduction of the EU General Data Protection Regulation, and the approval of India’s Personal Data Protection Bill, we foresee a major increase in buying and enquiry from clients,” he added. “With economies increasingly integrated with cloud, block chain, artificial intelligence, cybercrime is seen as the greatest threat to every profession, industry, and company in the world. Hence cyber liability insurance is becoming increasingly relevant and a must-have,” said Sanjay Datta, chief – underwriting, claims, reinsurance & actuary – ICICI Lombard. ICICI Lombard General Insurance, for example, has a product called Commercial Cyber. The policy can be issued to an entity (groups whose members are involved in online transactions on e-commerce platforms/wallets), and the insured will be individuals in their personal capacity. Companies such as MobiKwik and Paytm are learnt to have taken such covers.

(The writer is Subrata Panda.)

TOP

Source

How travel insurance can help you if you are a solo traveller – Financial Express – 21st January 2020

Some travel to escape their busy lives while some wander about to find themselves. Different people might have different motivations to go on a vacation but the common thing with almost everyone is that travelling can be an enriching experience; consciously as well as subconsciously. This journey can be even more exciting and profound if you are a solo traveler.

Solo travel was perceived to be dominated by men. However, in the past few years, women from tier 1 cities are breaking out of chains and embracing their desire to travel. National and international travel and hotel websites such as Oyo, Unique Home Stays, Hostelworld, etc. have recorded a surge in bookings by solo women travellers in the recent past.

Here are some popular reasons for the rise in solo travel

- Technology has made things simpler and safer for travellers.
- There has been a shift from visiting attractions to enjoy experiences.
- Desire to travel out of self-motivation and not because of family obligation.
- Package tours are rigid and impersonal whereas solo trips are flexible and personalized.
- Drive to tell personal travel stories through social media channels.

Therefore, if you are a solo traveler and are in the process of planning a domestic or an international trip, you are not alone. Read ahead to acquaint yourself with some basics that will help you make the most of your trip.

1) Right Destination
Do you want to go hiking in the mountains or ride the waves by going surfing? Do you want an adrenaline-pumping trip with activities like skydiving or do you want to sit peacefully in a quaint café with a book and explore local culture? Or do you want a mix of all the above and a lot more? Ask these questions to yourself and you will be able to shortlist and select your solo travel destination.

2) Travel Time
Decide your travel time based on your health quotient. Assess your health condition and take measures to get fitter for your trip if it involves physical activities like hiking. Research about the weather conditions and get an overview of the political and social scenario of the place where you are about to travel. Speaking to friends and family who have been there, and browsing online travel forums can also give you actionable insights.

3) Tech Assistance
Usually, major concerns with respect to travelling are related to safety, deriving value for money, and meeting individual travel goals. Technology plays a major role in meeting these three objectives. For example, the internet has made it easy to book top and safe hotels, get flights at a cheaper rate, and conduct in-depth research about attractions and experiences in and around your preferred travel destination.

Some apps can enhance your travelling experience with respect to gaining more knowledge about the places you are visiting, getting to know local cultural highlights, etc. Enhanced connectivity enabled by smartphones and social media can be a major confidence booster for solo travellers and a way to tame the worry monster for concerned family members back home.

4) Safe Adventures
Solo travellers might not be satisfied with just a 'happy journey'. Isn't that for comfort-craving tourists? Daring travellers thrive on adventures, but it is your responsibility to ensure safety. Traveling can be about pushing your limits but there is a fine line between adventure and danger. Trust people but be alert. Focus on having safe adventures.

5) Travel Insurance
You might be ultra-safe but unfortunate incidents cannot be predicted. Situations resulting in lost baggage or misplaced passport are terrifying. This is where travel insurance is crucial as it can provide timely assistance and necessary support during emergencies. An active travel insurance policy is a must-have in order to visit certain countries as tourists. However, it is suggested to purchase a suitable travel insurance policy even if it is not a mandatory requirement.

If you are going on an international trip and do not have health insurance that covers situations beyond national boundaries, then make sure your travel plan has extensive health cover. Also, include an evacuation cover, as it can come in handy in case you need to be airlifted from your holiday destination due to a crisis.

New-age insurance for the new-age solo traveler
Apart from traditional travel insurance policies, new-age insurers also offer dedicated flight insurance, hotel insurance, cab ride insurance, etc. through their partners. You can spend some time online to find which policy suits you best.

There is no need to rely on a travel agent to buy a travel insurance policy. You can buy one online on your own as per your convenience. Purchase a policy that offers extensive coverage at a low price. Travel insurance can be your friend in need while on a solo trip. Have safe adventures and stay insured.

TOP

Source

Budget 2020 Expectations: Rs 5 lakhs! Government may increase bank deposits insurance cover - Zee Business – 20th January 2020

People depositing money in the bank may get a big gift from the government in the Budget 2020 to be presented on 1 February 2020. Moreover, the banks will also be getting money for their recapitalization.

Taking lessons from the PMC Bank scam, the government is planning to give a big gift to the bank depositors in the Budget 2020. The government may increase the bank deposit insurance for existing up to Rs 1 lakh to insurance up to Rs 5 lakh, according to the sources in the government. The sources have further revealed that insurance coverage could also be linked to inflation. If this happens it will be big welcome news for the depositors.

According to the existing rules, irrespective of the amount of money a customer has deposited in the banks, he was entitled to an insurance cover up to Rs 1 lakh in the event of a bank failure or if the licence of that bank is cancelled. The government may also announce an infusion of Rs 1 lakh crore for the recapitalization of banks in this budget.

The government may also give up to Rs 12,000 cr amount to three public sector insurance companies. The three state-run insurance companies viz, United India, Oriental Insurance and National Insurance are not in very financial health. The government is planning to invest at least Rs 12,000 cr in these three government companies and the announcement may come in the Budget 2020.

This means that each of the three government companies could likely get Rs 3,000 cr. As per the guidelines of the insurance regulator - Insurance Regulatory and Development Authority of India (IRDAI) - the solvency ratio for a company should be greater than 1.5%. The solvency ratio for United and Oriental is close to the 1.5% mark while that of national Insurance has gone below 1%.

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Source

When the FRDI Bill Returns – Economic & Political Weekly - Vol. 55, Issue No. 3, 18 Jan, 2020

Following the recent meeting of the Financial Stability and Development Council (FSDC) held on 7 November 2019—that had the strengthening of the resolution framework of the financial sector of the country on its agenda—there is an emerging speculation about whether the current government will resurrect the Financial Resolution and Deposit Insurance (FRDI) Bill, 2017, particularly with reference to the banking sector. Recall that this government had revoked the bill within a year of its introduction in 2017, mainly due to the widespread scepticism about the "bail-in" clause in the bill, which allegedly can make the depositors of a failing financial institution share the burden of resolution cost by foregoing parts of their deposits with the institution. With household financial savings behaviour in India showing a skewed preference towards bank deposits in the last two decades, the security of these deposits is indeed a matter of significance.

As per media reports, the amendments to the FRDI Bill, 2017—now renamed the Financial Sector Development and Regulation (Resolution) Bill, 2019—are being worked out for three crucial issues: first, to increase the deposit insurance cover of customers; second, to iron out the contentious issues related to the bail-in clause; and third, to decide whether this resolution framework should apply to the public sector banks. At a time when the public sector banks have come under the stress of bad loans, increasing the deposit insurance coverage limit would be a welcome approach for reinforcing depositors' confidence in the banking system in general, and the public sector banks in particular. Notwithstanding the argument about the "inclusiveness" or otherwise of the coverage limit of the deposit insurance scheme, a relevant approach of looking at these amendments, and so to say the resolution framework on the whole, is through the lens of systemic stability, especially in the current scenario in the Indian banking sector.

The role of the "ownership" of banks towards the financial stability, however, is a much debated issue in the country. While the Reserve Bank of India (RBI) has attributed a positive role to the government ownership of banks in attaining financial stability, the Committee to Draft Code on the Resolution of Financial Firms has blamed it for causing a "lack of competitive neutrality" in the financial sector. With the committee arguing for the need of a "level playing field" for both the public and private sector financial firms for the sake of competitive neutrality, the concept of an overarching resolution framework for all financial firms gained traction.

It is from this viewpoint that the FRDI Bill, 2017 sought to amend as many as 20 legislations for the diverse financial sector in this country, which is regulated by a gamut of institutions ranging from the RBI for the banks and the non-banking financial corporations, to the Insurance Regulatory and Development Authority for the insurance markets, the Securities and Exchange Board of India for securities markets and mutual funds, and the Pension Fund Regulatory and Development Authority for pension funds. The idea is to bring the resolution function for any type of failing financial entity under the single umbrella of a resolution corporation. More than the potential amendments, what should be the intriguing question about the reintroduction of the FRDI Bill at this point, is whether an all-encompassing resolution corporation can be really efficacious for the much-discussed financial stability of this country.

Various fundamental issues come to the fore, in this context. First, is the viability of the deliberate attempt to impose "neutrality" of ownership and hence, competition, between the public and private financial institutions by bringing them under a common resolution scheme, despite their palpably divergent modus operandi. While private financial institutions are predominantly governed by profit motives, for the public sector agencies, various social obligations, such as "financial inclusion," assume primacy. Consequently, it is hard to dismiss the fact that for the public institutions, especially the public sector banks, it is the sense of the government's involvement (or ownership) that has forged commoners' confidence to park their financial savings with them, conventionally. In attempts to neutralize this "ownership" factor, if the sovereign guarantee and resolving power are out rightly taken away from the government domain to some resolution corporation, it may destabilize the financial system.

Second, and in tandem with the first issue, is the controversial bail-in clause. In stipulating that any deposits outside the coverage limit of the deposit insurance will be subject to this clause, the FRDI Bill 2017 (in)advertently suggests that deposit amounts over and above the cover limit (which currently is at one lakh) will be included in the bail-in mechanism. Further, perverse to the RBI's caution against financial instability, short-term debts and uncategorized client assets are also currently under this mechanism. Ironically, these provisions and the bill per se came against the backdrop of the Financial Stability Report, 2017 that revealed a 3.3% drop in the year-on-year growth rate of deposits for all scheduled banks in the country.

This raises several vital questions. In the context of such decelerating financial stability, why did the government undertake these resolution reforms that could only further erode depositors' faith in the domestic financial institutions, particularly those that function as the keystone of systemic stability? Given this, how hopeful can we be of any prospective amendments if this bill is reintroduced?

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Source

FDI hike in insurance: Management control among key issues for govt – The Indian Express – 20th January 2020

The insurance industry is expecting a hike in foreign direct investment (FDI) in the sector to 74 per cent from 49 per cent in the forthcoming Budget, as indicated by Finance Minister Nirmala Sitharaman last year. However, the success of a hike in FDI will hinge, to a large extent, on sorting out the ownership and management control which is currently under Indian promoters and investors, experts said.

Allowing 100 per cent FDI in the intermediaries sector while presenting the Budget for 2019-20, the Finance Minister had said the government would hold discussions with stakeholders to relax FDI rules in the aviation, media, animation and insurance sectors and ease rules for single-brand retailers. Capital-starved insurance players are keen on a hike in the FDI to 100 per cent. The industry, which was liberalised in 2000, has now over 60 players but many of them are low on profitability and high on expenses.

When asked about his view on raising foreign investment in insurance sector from the current 49 per cent, Insurance Regulatory and Development Authority of India (Irdai) Chairman Subhash Khuntia had last week said Irdai had sought opinions of stakeholders on raising foreign holding to 74 per cent and comments received have been forwarded to the government. "Now, according to the Insurance Act, 49 per cent is the maximum limit for foreign direct investment. If it goes to 74 per cent, naturally the Act has to be amended," he said.

However, he was non-committal on ownership and control. No decision has been taken, he said. Currently, the majority of board of directors, excluding independent directors, will have to be nominated by Indian promoters or investors. The chief executive will have to be appointed by the board or by Indian promoters and investors. Foreign investors can appoint a key management person but he/she will have to be approved by the board controlled by Indian promoters.

According to insurance sources, foreign players are unlikely to raise stake to 74 per cent and pump in money without getting more say in management. "Why would they invest more when the company is controlled by Indian investors and promoters," noted a senior official of a company.

Experts said the Centre's decision to review FDI cap needs to be made along with a revisiting of the Indian ownership regulations, to enable a fair playing ground with board control.

Many foreign insurers increased their stake in their joint ventures when FDI went up from 26 per cent to 49 per cent few years ago. Some of them have exited the Indian market as well. "If the FDI goes beyond 49 per cent, the most important question to answer is how we will balance ownership with control. Anyone investing beyond 49 per cent would want to have control, so the key question to be answered will be who owns control," said the CEO of an insurance company.

"74 per cent FDI in insurance companies makes more sense than 100 per cent FDI in insurance intermediaries. The inflow will be substantial compared to the insignificant inflow in intermediaries. The other expectation is the BoB-Dena-Vijaya Bank type merger of the three PSU non-life insurers. Doubtful if government will infuse capital but allow the company to raise subordinated debt for solvency requirements," said former Irdai Member KK Srinivasan.

Atul Sahai, CMD, New India Assurance, said the hike in FDI will bring in more technology and efficiency in the segment and boost insurance penetration. "This potential would surely attract many more players in the industry especially after the government's move to raise FDI for insurance intermediaries and to review FDI cap of 49 per cent for the India Insurance Sector," he said.

(The writer is George Mathew.)

TOP

Source

Sample insurance products are need of the hour – Moneycontrol – 20th January 2020

With life insurance penetration (premium as a percentage of GDP) below 4 percent and general insurance penetration below 1 percent, there is a dire need to make policies more appealing to customers.

What if an individual could sample an insurance product for free? You could understand the benefits of the policy for a few months and then buy a regular product based on your needs.

Similar to how one can avail 'free samples' of personal care products and food items on the street or with newspapers, insurers also need to step up to offer a 'taste test' of policies. Insurance penetration has been a cause of concern in India.

With life insurance penetration (premium as a percentage of GDP) below 4 percent and general insurance penetration below 1 percent, there is dire need to make policies more appealing to customers.

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Source

HEALTH INSURANCE

Insurance cos to reward healthy friendships - The Times of India – 24th January 2020

Friend Assurance feature proposed by health insurance companies will now allow both friends and families to buy a health insurance policy, besides a discount awarded to the healthiest group.

Religare Health Insurance, Max Bupa Health Insurance and Kotak Mahindra General Insurance who had proposed the idea of 'friend assurance' under the Regulatory Sandbox had received Insurance Regulatory and Development Authority's (IRDA) nod earlier this month. The insurance regulator has set February 1 as deadline to roll out this feature on pilot basis for a period of six months.

Under this policy, customers can now cover not just their families but also their friends under one policy number. "The objective is to acknowledge and reward people who lead a healthy life and so, why restrict only with the family. A 15% discount on premium at the time of renewal will be awarded if there are no claims made (for in-patient care) in the year," said Religare Health Insurance, who will make this new addition on its existing Group Care product, and offer under Rs 5 lakh - Rs 10 lakh cover.

This new policy will have similar benefits of any health insurance policy, and strength of the group will vary between five to 30. Under this concept, the group will be scored based on various behaviors like number of doctor consultation, number of health checkups based on which renewal premium will be decided.

Max Bupa Health Insurance has decided to roll out the friend assurance feature on its existing group policy — Health Companion. "Depending on the group's cumulative score, we will decide the discount. We do estimate an average discount of 5%-10% if the entire group has a good score," Max Bupa's spokesperson said.

This friend assurance feature will be available on all its existing group policy — Health Companion. "Depending on the group's cumulative score, we will decide the discount. We do estimate an average discount of 5%-10% if the entire group has a good score," Max Bupa's spokesperson said.

This friend assurance feature will be available on all its policies and on covers ranging between Rs 5 lakh and Rs 1 crore. "We have defined the group with a minimum of seven members, but no restriction on upper limit," he added. Earlier IRDA had placed restriction on this concept, that a group cannot be formed just for purpose of buying insurance or availing discounts.

The concern was that there should be a commonality in nature of members of group (a homogeneous group). This new product aims to get people to lead a healthier lifestyle, besides initiating social interaction among the members and keep them motivated. Friend Assurance policy offers features similar to retail products, where the group which does not make any claim will get 15% premium cash back at the end of year. It is available in few European countries like Germany, however, the form and format differ from that proposed in India.

(The writer is Mamtha Asokan.)

Source

TOP

Does your health insurance cover a coronavirus-like condition? – Mint – 22nd January 2020

Over 440 cases of coronavirus have been confirmed in mainland China and according to news reports; the death toll has now risen to at least nine in the country. The virus also spread to western parts of United States, causing panic and fear of a possible pandemic. India is under alert mode too with several airports screening passengers for coronavirus.

While there are no reports of anyone being infected by the virus in India yet, it's important to know whether such a condition would be covered by your health insurance policy or not. Note that since coronavirus is not a pre-existing illness or condition and can infect you without prior warning, your health insurance policy should cover the condition in case you're hospitalized.

"If you're infected by any virus and are hospitalized, it will be covered under your health insurance policy because it's not a pre-existing condition. All pre and post hospitalization costs are covered too," said Rakesh Goyal, director, Probus Insurance Broker Ltd. "Even earlier, conditions such as H1N1 and Ebola have been covered by health insurers."

Coronavirus infection is similar to a common cold and typically affects the upper respiratory tract. Symptoms include sore throat, mild headache and fever, cough and cold. The fever can last over two days. If the infection is severe, your doctor may call for hospitalization and the cost of which will be covered by your health insurer.

(The writer is Disha Sanghvi.)

Source

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Critical illness cover: Super top-up plans of Rs 1 crore and above – Financial Express – 22nd January 2020

Just like life insurance policies, health insurance policies with a cover of Rs 1 crore is becoming the new norm in the industry. With health inflation on the rise and average out-of-pocket medical expenses on the rise, insurers are increasing the cover sizes of the health insurance policies to reduce the burden on customers. Apparently, India has one of the world's highest rates of out-of-pocket spending in healthcare. As per a study, out-of-pocket expenses currently account for 65% of the overall healthcare spends. With the constant rise in the cost of healthcare in India and considering the ever rising instances of lifestyle diseases, buying health insurance with adequate sum insured has today become a basic necessity. A health insurance cover provides you with a much needed financial backup at times of medical emergencies.

Health insurance is now widely considered a basic need, and smart consumers are increasingly exploring the possibility of getting better facilities out of their policy. Usually, consumers opt for basic health covers in the range of Rs7 to Rs10 lakh. However, some most expensive procedures such as organ transplants, serious heart problems, or advanced-stage cancer entail a total cost of Rs40-60 lakh; in such situations, the usual health insurance plans fail to solve the purpose.

As per a survey, while the number of cancer cases in India in 2017 was 15 lakh, the number is expected to cross 17.3 lakh by the end of 2020. On the other hand, cases related to heart ailments have gone up in almost every Indian state in the last two decades. This is why there are now health insurance plans that cater to all such needs providing eight-figure sum insured.

Critical illness

Individuals who have a history of critical illnesses in the family—illnesses that require expensive and prolonged hospitalizations—may also opt for a big cover. In instances of diseases such as advanced cancer, private hospitalisation may easily cost tens of lakhs of rupees, and only a large-sized cover can protect the patient. Lastly, if the patient wants to go abroad for advanced treatment, a low or mid-value health policy would certainly be inadequate. In all such situations, the best way forward is to have a high-value health insurance plan.

One such health insurance plan that offers Rs1 crore sums insured is Aditya Birla Health Insurance's Active Assure Diamond plan. This plan comes with an Rs5 lakh base cover plan and Rs95 lakh health cover as a Super Health Top-up.

In a top-up or a super top-up plan, there is a deductible component and a sum insured component. The deductible amount is a pre-defined amount that the customer will bear, through his/her own finances or from the base health insurance or any other income source in order to pay for hospitalisation. Any amount over and above this deductible amount will be borne by the insurer.

Higher the deductible amount lower is the premium for the top-up or super top-up policy. Newer standalone health insurance companies set up in the last two to three years have been offering Rs 1 crore and above covers since inception.

(The writer is Santosh Agarwal.)

Source

TOP

Aarogya Sanjeevani Policy: Is standard health insurance product good for first-time buyers? – Financial Express – 22nd January 2020

Aarogya Sanjeevani Standard Health Insurance Policy Details: From April 1 this year, all general and standard health insurers will have to roll out a standard health insurance policy, according to recent guidelines issued by the Insurance Regulatory Development Authority of India (IRDAI). Named 'Aarogya Sanjeevani Policy', the standard health insurance policy will be a "standardized product" covering basic hospitalization needs of customers.

The minimum sum insured under the policy will be Rs 1 lakh while the maximum sum insured will be Rs 5 lakh with a co-pay of 5 per cent and room rent limit up to 2 per cent.

Good for first-time buyers?

Will the standard health policy be a good option for first-time health insurance buyers? Yes, said Amit Chhabra, Head- Health Insurance, and Policybazaar.com.

Chhabra told FE Online, "First-time buyers can look into this product as the premium amount is low which is affordable to them. These are indemnity based plans having all the basic features and benefits. The sum assured can be increased later in life as per the need."

However, before opting for the policy, first-time buyers should be aware of the limitations like co-pay, room rent capping etc, said Chhabra.

Standard Health Policy benefits
Chhabra pointed out several benefits subscribers will get from the standard health policy:
1. Basic hospitalization expenses
2. Ayush Treatment
3. Pre and Post hospitalization expenses
4. Cumulative Bonus can be increased to 5%
5. Wellness Incentives

Key points to consider before buying
According to Chhabra, some of the important points first-time buyers should look for before buying the standard health insurance product are:
1. Restoration Benefit
2. Sub Limits
3. Cashless Hospitalization Services
4. Maternity Cover
5. Portability

Last week, IRDAI allowed selling of Aarogya Sanjeevani Policy' through Point of Sales (PoS) persons.

No add-ons or optional covers will be allowed along with the standard product.

The hospitalisation expenses covered by the standard policy will include "room, boarding, nursing expenses as provided by the Hospital/Nursing Home up to 2% of the Sum insured subject to maximum Rs 5000/- per day."

It will also include:
– Anesthesia, blood, oxygen, operation theatre charges, surgical appliances, medicines and drugs, costs towards diagnostics, diagnostic imaging modalities, and such similar expenses.
– Intensive Care Unit (ICU) / Intensive Cardiac Care Unit (ICCU) expenses up to 5% of sum insured subject to maximum Rs 10,000 per day.

The expenses on hospitalisation for a minimum period of 24 hours will be admissible. However, this time limit will not apply if the treatment does not required as specified in terms and conditions of the policy contract.

Cumulative Bonus: "Sum insured (excluding CB) shall be increased by 5% in respect of each claim free policy year, provided the policy is renewed without a break subject to maximum of 50% of the sum insured. If a claim is made in any particular year, the cumulative bonus accrued may be reduced at the same rate at which it has accrued," IRDAI had said.

The writer is Rajeev Kumar.

TOP

Source

Visit Health: This AI-driven platform helps patients consult doctors - Financial Express – 20th January 2020

Visit Health, founded by Anurag Prasad and team, wants to be more than an aggregator in the healthcare and insurance space. Most platforms today offer insurance services only when a patient is hospitalised or in other words, when a patient is in the in-patient department (IPD). "Most of the primary care medical cases today fall under out-patient department (OPD). So, to tap into this market, we brought a new concept by providing insurance for OPD," explains Prasad.

The startup has partnered with Acko and Apollo Munich Health Insurance for providing OPD insurance which is integrated into the app. Users can opt for OPD insurance by paying Rs 1,500-Rs 3000 depending on the case. The app also has a network of 50,000 doctors from whom out-patient consultation along with the insurance can be availed. "Once I have sold an OPD insurance to a user, the user spontaneously want to check with our services for consultations or lab tests before going to any other place the next time," says Prasad. Being digital allows Visit Health to be cashless throughout and also enables users to have their medical history with reports in one place.

Apart from covering users for unlimited visits, the app offers immense discovery for doctors in its network without charging them anything. "The doctors are also getting integrated into corporate and insurance ecosystem through our platform. For instance, we are covering a roughly `100 crore corporate user base of Wipro. The doctors on our network can get access to that base and do not have to deal with insurance guys or Wipro officials," tells Prasad. The app makes sure that the doctors' fees are covered in a cashless way.

OPD business has been on reimbursement basis traditionally which has proven to be costly and was never digital – always dependent on cash with little to no data about users. Visit Health avoids reimbursements and collects various data points to work on its machine learning algorithms and come up with segment based pricing.

To acquire customers, the startup is burning cash and is not completely performance driven. "We initially thought we would end up burning 200-300% of our revenue. But today our loss ratio is at 140% and the revenue is close to Rs 3 crore," says Prasad.

The startup has raised about Rs 10.5 crore from angel investors. With an average ticket size of Rs 3,500 per user per year, the addressable market for Visit Health stands at $5-6 billion, according to Prasad. It plans to sell 100,000 OPD insurance policies and collect a significant amount of data to expand into the market, in the coming quarters.

"The market poses a lot of challenges and the primary challenge for us is scaling—both with users and teams. We don't want to end up serving a million users with just 40 people. We are mindful of that as we scale, "he ends.

(The writer is Srinath Srinivasan.)

Source

TOP

CROP INSURANCE

1 lakh Karnataka farmers' insurance claims stuck – Deccan Herald – 24th January 2020

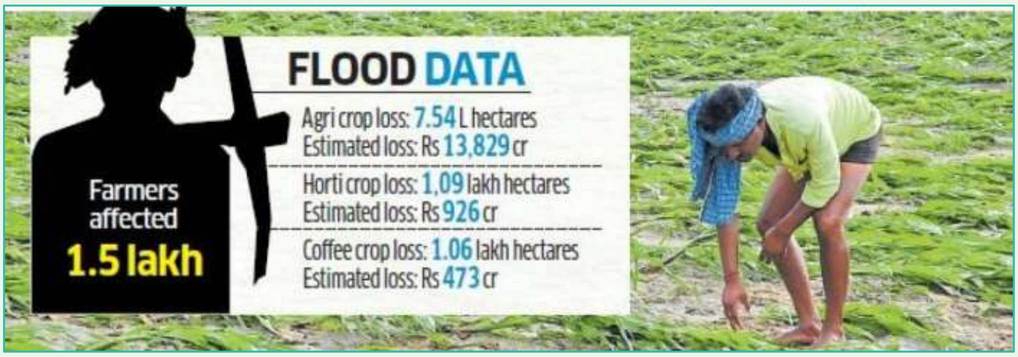
Months after devastating floods damaged 9.7 lakh hectares of agriculture and horticulture crops, more than a lakh farmers have been left in the lurch as insurance claims for lost crops have been held up due to a dispute over the premium.

Authorities concede that issues with Pradhan Mantri FasalBhimaYojana (PMFBY) have delayed the release of insurance claims, adding that claims will be released in phases. During such extreme cases, interim claims should have been released, they said.

Though six lakh farmers were affected by floods, only one-fourth of them — around 1.5 lakh — are covered under the scheme.

Officials in the Agriculture Department, under condition of anonymity, admit that there were problems with the scheme and farmers affected by floods could face some delays in insurance claims, as the claims were yet to be calculated. "Insurance companies prior to releasing claims put out several queries for the farmers, which are one of the major causes for the delay. Moreover, there is an awareness issue regarding insurance claims and premiums among the farming community," an official said. Farmer organisations have pointed to skewed and selective distribution of insurance claims and decided to approach the consumer court with their grievances against insurance companies.

Viresh Sobaradhmath, president of Karnataka RaitSene, told DH that despite paying premiums under PMFBY for crops, there were disparities in the claims sanctioned by the companies. "This has added to the woes of the farming community in flood-affected regions," he said.



According to the scheme's guidelines, premium for one acre of tur dal is costlier than for an acre of maize. If a farmer suffers losses for both the crops during flood or drought, insurance companies release claims only of the lower value, Sobaradhmath said. "We have decided to file a writ petition in the consumer court against this disparity," he said.

Ganganna Veereshnavar, a farmer from Dharwad, said that apart from these issues, many farmers were not even sanctioned insurance as they lacked awareness. For instance, there are cases of flood or drought affected villages with around 1,600-1,800 beneficiary accounts under the scheme, of which only a little more than half have their insurance claims sanctioned, he said.

B Y Srinivas, director, Agriculture Department, said that they were aware of the complaints raised by farmers. "All insurance claims will be released in the next three to four months in a phased manner," he said.

Software integration to debit interim relief to flood-affected farmers under the scheme has also affected farmers, the source added.

(The writer is Akram Mohammed.)

Source

TOP

Crop insurance drives general insurers' direct premium growth - Financial Express – 21st January 2020

General Insurance companies saw their gross direct premium growing at 13% year-on-year in December, aided by a strong performance from crop insurance. According to a Kotak Institutional Equities report, excluding crop insurance, the growth of the general insurers would have been around 6% due to the slowdown in motor and fire insurance business. Market participants say that weak growth in motor insurance is largely due to the fall in vehicle sales.

Gross direct premiums collected by insurance companies in December stood at Rs 16,084.3 crore, compared with Rs 14,296.4, a growth of 13%. But if one excludes crop insurance, premiums for industry would have been Rs 13,099.1 crore in December 2019, compared with Rs 12,302.2 crore in December 2018, registering a growth of just 6%.

"General insurance companies reported weak growth in premiums (ex-crop business) in December 2019, down from 11-18% during the past five months. Two key reasons are fire business finally slowed down and further slowdown in motor third party (TP)," said Kotak Institutional Equities in its report.

In December, private players saw gross direct premium at Rs 7,699.3 crore, down 1% compared to the previous year. Public sector players saw gross direct premium at Rs 6,342.0 crore, a growth of 12%. AV Girija Kumar, CMD at Oriental Insurance, said, "We had nominal growth in December, our strategy is to focus on bottom line. So, we are not writing huge business this year, we are doing lot of retail business. Motor insurance has been down due to the slump in auto sales growth."

Motor insurance consists of two categories, motor third party and motor own damage. In December, motor insurance saw gross direct premium of Rs 5,770.3 crore, compared with Rs 5,428 crore.

Categories such as fire, marine and government health schemes saw fall in gross direct premiums. "Fire insurance premiums declined by approximately 10% Y-o-Y in December 2019 after 10-11 months of strong (25-60%) growth. Large private players, including ICICI Lombard (down 40% y-o-y), HDFC Ergo (down 50% y-o-y) and Bajaj Allianz GI (flat y-o-y), posted sharp decline in growth rates, except SBI General, which grew at ~30% y-o-y,"said the Kotak report.

TOP

Source

MOTOR INSURANCE

Come February, you can buy 80 percent cheaper motor insurance products – Business Today – 24th January 2020

Your car doesn't hit the road every day, yet you pay the same premium as your neighbor who drives her car for at least 100 km a day. You drive your car with utmost safety, while a reckless youth zips across the busy lanes on his vehicle. When it comes to premium, both of you pay the same amount. Seems unfair, right? Thankfully, Insurance Regulatory and Development Authority of India (IRDAI) have seen merit in fixing these anomalies.

'Pay as you drive' or 'pay how you use' could soon be a reality in motor insurance as the insurance regulator has given approval to seven general insurance companies who had applied to launch such products under the regulatory sandbox - a controlled environment where tech-driven companies evaluate, monitor or test innovative financial products before their full-fledged launch.

Out of 173 proposals that IRDAI had received under regulatory sandbox, it granted approvals to only 37 products/applications under health, motor and intermediary categories.

The insurers will run a pilot between February 1, 2020 and July 31, 2020, following which they will share the impact analysis with the regulator. If all goes well, such products will see the long-term implementation. Let's take a look at all that is in the offing in motor insurance:

Pay as you use; pay how you use
ICICI Lombard, which has received highest number of approvals under sandbox, will come up with 'pay as you use' and 'pay how you use' policies for private car owners.

"The insured gets an option to pay their premiums basis the distance covered while driving or by computing the driving behaviour," says Sanjay Datta, Chief - Underwritings, Claims & Reinsurance with ICICI GIC.

Animesh Das, Head of Product Strategy - ACKO General Insurance says packages of kilometers will be available and customers can buy the one that suits their needs. "Once they reach the package limit, they can top-up again."

The premium on such policies could be one-fifth times cheaper than a typical insurance policy. "Take, for instance, the premium on Maruti Swift insurance comes out to be around Rs 10,000 on a traditional policy. For the same car, the 'pay as you use' policy may cost you Rs 5000 for a package of 3000 kilometers," says Das.

Although the product will be available on ACKO website starting February 1, it will not be open to everyone. "We'll pilot it on a smaller base to capture customer reaction. So, initially it will be available to only specific cities for specific models. We want to make sure that nothing goes wrong," he says.

Such policies are expected to increase penetration of motor insurance covering even those who drive less and do not prefer own damage covers. "Pay as you consume model will help us charge premium based on kilometer utilised by the insured or the amount of time they intend to drive the car. This will encourage more people to opt for Motor OD insurance since majority of the vehicles only have Third Party Liability policy as mandated by the law," says Tapan Singhel, MD & CEO, and Bajaj Allianz General Insurance.

Bharti Axa General Insurance, Tata AIG, Liberty General Insurance and Digit Insurance have also received approval for this type of product.

Motor Floater policy

If you own multiple vehicles, you don't have to buy separate policies for each. ICICI Lombard General Insurance, Reliance General Insurance and Edelweiss General Insurance have come up with Motor Floater policy that will cover multiple vehicles owned by a single person under single policy. The customers will have flexibility in adding or deleting vehicles as desired. The coverage can also be switched on and off as per the requirement.

"The Motor floater policy will now offer an option to customers to have a single policy for multiple vehicles by having different sub-limits for each vehicle," explains Datta of ICICI GIC.

Since these products will be available on an experimental basis from February 1, keep checking the websites of the respective insurers to see if you can be part of the pilot.

(The writer is Aprajita Sharma.)

Source

TOP

Motor insurance for multiple cars, vehicles: Get app-based single policy soon – Financial Expres – 23rd January2020

Motor Insurance Policy for Multiple Cars and Vehicles: Owners having multiple vehicles may soon get an app-based single insurance policy. They will also get new options to financially protect their vehicles against any damages as insurers are planning to roll out unique features in their policies, reported The Indian Express. Insurance companies may offer insurance policies computed on the basis of driving pattern, distance covered while driving the vehicles or a first-of-its-kind mobile app-based single policy for multiple vehicles.

According to the report, insurance companies are gearing up to introduce innovative schemes such as 'pay as you use' or 'pay how you use' under pilot projects through the sandbox route. Various non-life insurance companies had filed as many as 173 proposals before the Insurance Regulatory and

Development Authority of India (Irdai) under the regulatory sandbox structure out of which 33 proposals were accepted by the insurance regulator.

Irdai has framed pre-operational regulations under sandbox guidelines which say that the product can be launched only as a pilot and the period for launch and completion is from February 1, 2020 to July 31, 2020. The fresh framed sandbox guidelines have raised the premises for the insurance industry to experiment and innovate for newer policies driven by data and gen-next technology.

"Pay as you consume model will help us change this and charge premiums based on kilometers utilised by the insured or the amount of time they intend to drive the car. This will encourage more people to opt for motor OD insurance since majority of the vehicles only have third party liability policy as mandated by law," the Indian Express quoted Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance as saying.

The IRDAI has already given permission for 'pay-as-you-use' and 'pay-how-you-use' policies for private cars to ICICI Lombard General Insurance while Edelweiss General Insurance has IRDAI's backing for its motor floater policy designed for a single owner of multiple vehicles based on usages. Edelweiss General Insurance is planning to allow its policy buyers to set sub-limits on different vehicles and sum total of all the vehicles will be calculated while estimating the insurance premiums.

TOP

Source

Insurers set to launch 'pay as you use' motor policy, app-based multi-vehicle cover – The Indian Express – 23rd January 2020

Vehicle owners will soon get various unique options when they apply for the insurance policy and pay the premium as they will be priced on the basis of the distance covered while driving the vehicle or by computing the driving behaviour, and even get an app-based single policy for multiple vehicles.

Insurance companies are getting to ready to launch innovative schemes like 'pay as you use' or 'pay how you use' under pilot projects through the sandbox route. The Insurance Regulatory and Development Authority of India (Irdai) had recently approved 33 proposals — out of 173 proposals it received — from various non-life insurance companies under the regulatory sandbox structure. As per the sandbox guidelines, the product can be launched only as a pilot and the period for launch and completion is from February 1, 2020 to July 31, 2020 as per Irdai operational guidelines.

The regulatory sandbox project has provided the insurance industry with flexibility to explore new products and services that suit the latest technology and data-driven world. This methodology allows insurers to launch and test a product with a select group of people for a period of six months. Based on the results of the pilot run and the feedback, Irdai will allow the product to be launched commercially for the public.

In India, the premium for a motor insurance policy for the own damage (OD) part is based on the age, make and model of the vehicle. "'Pay as you consume model' will help us change this and charge premium based on kilometers utilised by the insured or the amount of time they intend to drive the car. This will encourage more people to opt for motor OD insurance since majority of the vehicles only have third party liability policy as mandated by law," said Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance.

"We have always believed in not only staying relevant, but be ahead of the curve in terms of mitigating the evolving risks through our innovative insurance solutions," he said. Bajaj Allianz plans to introduce 'pay as you consume' cover for motor insurance.

ICICI Lombard General Insurance has received permission for 'pay-as-you-use' and 'pay-how-you-use' policies for private cars. It is also developing a single-owner multiple-vehicle motor floater policy. In the case of 'pay-as-you-use' and 'pay-how-you-use' policies for private cars, the insured gets an option to pay their premiums on the basis of the distance covered or by computing the driving behaviour. The motor floater policy will now offer an option to customers to have a single policy for multiple vehicles by having different sub-limits for each vehicle.

Sanjay Datta, chief— underwritings, claims and reinsurance, ICICI GIC said, "The sandbox route is a progressive step by the regulator to facilitate innovation in the insurance sector. We are excited to have received five approvals for our tech-enabled product ideas. We look forward to offer consumer differentiated and convenient experience through this new-age offerings."

Edelweiss General Insurance has received the nod from Irdai for its app-based multi-vehicle, usage-based floater policy for motor OD. The product is an innovative concept that allows the customer to cover any damage to his vehicles through a floater policy.

The policy will cover all risk for all vehicles and the cover can be switched on or off as per the requirement of the customer with the flexibility of adding and deleting vehicles as required.

The policy is a floater for multiple vehicles and usage-based. What this means is that there will be premium savings for the customer as compared to having multiple policies for their vehicles. The app allows for claims to be settled through live video, uploaded either by the customer or the garage.

"The emerging era of shared mobility makes it a very relevant product for vehicle owners today where they can pay as per the usage of the vehicle and/or driving behaviour. Further, as the policy covers multiple vehicles in one, it saves you time and any hassle involved with buying multiple policies for multiple vehicles," said Shanai Ghosh, CEO and executive director, Edelweiss General Insurance.

The innovative products approved by the regulator are likely to price the product on the basis of usage. This means the more a customer uses his vehicle, he will have to shell out more as premium and vice versa. For the sandbox, an applicant should have a net worth of Rs 10 lakh and a proven financial record of at least one year.

(The writer is George Mathew.)

TOP

Source

Know the insurance cover you need for your two-wheeler – Financial Express – 21st January 2020

India has always been a two-wheeler dominated auto industry, with two-wheelers accounting for around 80% of sales. Although the sales volumes in cities have been consistent, large-scale road-construction projects and rising incomes are leading to a growth in sales volumes in the earlier underpenetrated smaller towns and villages. While, the nature of demand for two-wheelers in metros tends to be towards replacement, there are more first time buyers in Tier II/III cities.

A two-wheeler must have adequate add-on insurance covers to ensure it is fully protected.

Zero Depreciation, engine protector
Zero or nil depreciation cover is a must have for your bike, given that expenses for even small part repairs can be very high. Especially in case of CKD (completely knocked down) bike wherein the parts are

imported and are assembled to make one complete bike and also for CBU (completely built units) bikes

where a fully assembled bike is imported. Most of the imported bikes in India come as a CBU. With this cover, you get the actual value of the damaged part, barring the compulsory deductible on every claim.

As far as engine protector goes, it is necessary that you check if your policy covers the same. Under this, you get cover for repair or replacement for the internal parts of the engine such as pistons and cylinder head. It also pays for repair or replacement of the internal parts of the gear box along with the labour cost incurred by you to overhaul the damaged engine and gear box. It is ideal to have this cover, as on many occasions your bike might come to a standstill in water logged areas where the water might enter the engine, resulting to damage of internal parts of the engine. Moreover, with the emerging culture of off-roading, there is a chance of under carriage damage due to stone or debris hitting the engine from the bottom of the bike leading to oil leakage.

Consumable cover

Consumables are parts of the automobile which when used are completely consumed such as engine oil, gear box oil, power steering oil, brake oil, battery electrolyte, fluid, radiator coolant, nut & bolt, screw, and items of similar nature excluding fuel. Consumable cover is an add-on that offers coverage for consumables, which is generally not a part of your basic motor insurance policy. This is an essential add-on cover as in case of accident, replacing oil and other consumables can be an expensive affair. Consumable cover acts like a top-up for your zero depreciation and engine protector insurance.

Pillion cover

Super bikes are performance bikes with high engine capacity and power which requires practice to get a handle of, especially when riding with a pillion rider. The accidents on these bikes can be dangerous and in many cases fatal not just for the rider, but also for the pillion passenger. In addition to the compulsory owner-rider personal accident cover, additional cover can be taken for two more riders. One for any rider who is not the owner and other for the pillion rider with a cover of at least `15 lakh.The speed should be within legal norms set by the road transport authorities and should be only tested on race track conditions with proper precautions.

The writer is Gurneesh Khurana.

Source

TOP

Upgrading your bike? Keep an eye on your insurance - Orissa Post – 20th January 2020

The need for mobility is growing rapidly in India, which is higher than the growth rate any other country has ever witnessed at any point, coupled with the fact that India is one of the fastest developing economies in the world. India has always been a 2-wheeler dominated auto industry with around 80% share in the total automobile sales pie.

Although the sales volumes in cities have been consistent, large scale road-construction projects and rising incomes are leading to a growth in sales volumes in the earlier underpenetrated smaller towns and villages. Consumer expectations of products as well as the price points do not vary by the tier of city. While, the nature of demand for 2-wheelers in metros tends to be towards replacement, we have observed that there are more first time buyers in Tier II/III cities.

It is interesting to note, that there has been an increase in demand of motorcycles with larger engine capacities. While this space is ruled by bikes with engines capacities between 300 and 500 cc, the market for bikes above 500 cc is heating up as well. These bikes have become popular especially among the metro and Tier 1 city based riders. Although these bikes are expensive, better availability of finance and a few manufacturers making these bikes locally or sourcing local parts, they have become within grasp of the public. Thus, an unfortunate accident of these bikes causing damage to the parts, which are quite expensive can leave a huge hole in the pocket of the owner.

Below are some of the covers one can opt for:

Zero or Nil – Depreciation cover along with Engine protector:

Zero or nil depreciation cover is a must have for your bike, given that expenses for even small part repairs can be astronomically high. Especially in case of CKD (Completely knocked down) bike wherein the parts are imported or exported and are assembled to make one complete bike and also for CBU (Completely Built Units) bikes where a fully assembled bike/automobile is imported/exported to/from some other country. Most of the imported bikes in India come as a CBU. With this cover, you get the actual value of the damaged part, barring the compulsory deductible on every claim.

Consumable cover:

Small things can add up to the overall expense, like consumables of your bike. Consumables are parts or factors of the automobile which when used are completely consumed such as engine oil, gear box oil, power steering oil, brake oil, battery electrolyte, fluid, radiator coolant, nut & bolt, screw, and items of similar nature excluding fuel. Consumable cover is an add-on that offers coverage for consumables, which is generally not a part of your basic motor insurance policy. This is an essential add-on cover as in case of accident, replacing oil and other consumables can be an expensive affair. Consumable cover acts like a top-up for your zero depreciation and engine protector insurance.

Pillion cover or extra personal accident cover for passenger:

Super bikes are performance bikes with high engine capacity and power which requires practice to get a handle of, especially when riding with a pillion rider. The accidents on these bikes can be dangerous and in many cases fatal not just for the rider, but also for the pillion passenger. Hence, I strongly recommend that in addition to the compulsory owner-rider personal accident cover, additional cover can be taken for 2 more riders. One for any rider who is not the owner and other for the pillion rider with a cover of at least `15 lakh. I would also urge that speed be limited within legal norms set by the road transport authorities and be only tested on race track conditions with proper precautions, under expert supervision along with necessary safety gear.

(The writer is Gurneesh Khurana.)

Source

TOP

With this policy, damage to your own vehicle will not be covered; be aware! – Financial Express – 20th January 2020

Even though Third-Party Motor Insurance is mandatory for driving vehicles on Indian roads, it does not provide cover for the policyholder's own car, in case of an accident. This insurance policy, however, is mandatory for all vehicles in India, according to the Motor Vehicles Act 1988.

Third-party insurance, as the name suggests, provides cover for the third party vehicle and the third party in case of an accident. It doesn't extend the cover for the policyholder himself. However, if a policyholder wants to get insurance cover for oneself, he/she needs to opt for a comprehensive insurance policy. While Third Party Insurance is mandatory in India, a comprehensive insurance policy is not.

A comprehensive insurance policy, unlike third party cover, includes both third-party and own damage cover. Hence, the premium of a comprehensive motor insurance policy is priced higher than a third party insurance cover. This is also one of the reasons why most people in India opt for only a third party motor insurance policy and do not go for a comprehensive insurance cover.

Having said that, there are various things that third party motor insurance do not cover, and usually, policyholders benefit nothing in case of an accident.

Here is what you will be deprived of with a Third Party Motor Insurance cover;
1. Damage of Own Vehicle – In case of an accident, damage to the policyholder's own vehicle is excluded from the Third Party Motor Insurance Policy.

2. Cover against injuries of the policyholder – Similar to damage of the policyholder's car, any injuries sustained by the policyholder during an accident is excluded under the Third Party Motor Insurance Policy.

3. Personal Belongings – Third Party Motor Insurance Policy does not cover for the cost of the policyholder's personal belongings and valuable items like a laptop or mobile phone or jewellery or luggage or cash in case of an accident, which might be present in the policyholder's car. However, the same can be availed with a comprehensive motor insurance policy, with the 'Loss of Personal Belongings' add-on cover.

4. Other Exclusions – Other exclusions that are not covered under a Third Party Motor Insurance Policy, if the policyholder was driving the vehicle under the influence of alcohol, drugs, etc. Also, if he/she was driving the vehicle without a valid driving licence, or, driving the vehicle outside the prescribed geographical area.

5. If the damage is caused due to an act of war, civil war, mutiny, rebellion, hostilities, damage from nuclear material/ weapons, invasion, foreign enemy action, terror attacks, or radiation will also not be included in the policy.

(The writer is Priyadarshini Maji.)

Source

TOP

General Insurance: Motor third party premium growth falls – Financial Express – 20th January 2020

General insurance companies reported weak growth (6%) in premiums (ex-crop business) in December 2019, down from 11-18% during the past five months. Two key reasons: (1) fire business finally slowed down (down 10% year-on-year (y-o-y) vs 34% growth in YTD FY2020) and (2) further slowdown in motor third-party (TP) (up 3% y-o-y vs 10-38% y-o-y growth in the past five months).

Motor third-party down
The motor segment reported premium growth of 6% y-o-y in December 2019, moderating from the 15-20% growth seen in September-October 2019. The immediate reaction to new traffic penalties on motor TP premiums seems to have completely faded out. Motor TP moderated to 3% y-o-y, all the way down from 40% in September 2019, now translating to 15% in YTD growth. On the other hand, the own damage (OD) business witnessed best monthly performance FYTD, still modest at 11% yoy during the month. Private sector continued to gain market share, registering 10% y-o-y growth while PSUs reported flat numbers.

OD business growth picked up to 11% y-o-y compared to 1% growth in YTD FY2020, the best y-o-y performance in the past 12 months. Most large private players posted weaker-than-industry numbers.

Retail and group health strong

Overall growth in health business moderated to 12% y-o-y, compared to YTD run-rate of 17% mainly due to weakness in government and overseas businesses. Retail health maintained strong momentum at 18% y-o-y growth in December 2019 (13% in YTD 2020) while group health business was up 34% y-o-y (17% in YTD 2020). Market share movement trends continued, with standalone insurers gaining (health premiums up 25% y-o-y) compared to single-digit growth at both PSU and private general insurers.

Fire cools off

Fire insurance premiums declined 10% y-o-y in December 2019 after 10-11 months of strong (25-60%) growth. Large private players including ICICI Lombard (down 40% y-o-y), HDFC Ergo (down 50% y-o-y) and Bajaj (flat y-o-y) posted sharp declines in growth rates, except SBI General, which grew at 30% y-o-y. GIC had increased reinsurance rates (average rise of 2X) in eight occupancies (comprising 35% of industry volumes), which has likely driven higher volumes in the past few months; nevertheless, such high growth was anyway not sustainable. YTD growth remains healthy at 38% y-o-y.

Private players registered 1% y-o-y decline in overall premiums (up 7% ex crop) in December 2019, significantly lower compared to YTD run-rate of 17% (20% ex-crop) led by weakness in most segments. PSU general insurers reported a better 12% y-o-y growth mainly led by crop insurance (3% growth ex-crop). Standalone health insurers continue to post stronger growth rates (up 25% y-o-y in December 2019).

Source

TOP

Coming soon: Floater motor insurance policies – 17th January 2020

The Insurance Regulatory and Development Authority of India (Irdai) between September and October last year, invited applications for the regulatory Sandbox. A Sandbox is a workspace where tech-driven companies can ideate, experiment, test and innovate financial products. The regulator received 173 proposals of which it has approved 33. Of all the ideas, the proposal to introduce own damage motor floater policies stands out.

Three insurance companies— ICICI Lombard General Insurance Co. Ltd, Reliance General Insurance and Edelweiss General Insurance —plan to test this product soon. Shanai Ghosh, CEO and executive director, Edelweiss General Insurance Co Ltd. said their sandbox product is an innovative app-based floater policy that would allow policyholders to cover any damage to their vehicles based on usage. The policy would cover multiple vehicles in one, which saves time and any hassle involved in buying multiple policies for multiple vehicles."Premiums will be charged as per usage. This simply means that the customer has the flexibility of adding and deleting vehicles as required on the app. The insurance cover can be switched on or off as per the requirement of the customer," added Ghosh.

A Reliance General Insurance spokes person said that their sum insured based 'floater policy' would cover all the vehicles owned by a customer under one policy. It will be defined basis value of the highest sum insured vehicle and the customer will have the option to add vehicles even at a later stage.

By choosing this policy, one shall entail benefits like premium leverage as multiple policies are not required to be bought and sum insured is optimized. Other benefits include change of details for all policies at one go and continuous coverage. "All the benefits including no-claim bonus, cancellation and so on shall be made available to a customer like any typical motor insurance own damage product both at the time of entry and exit," said the Reliance General spokesperson.

Ghosh said the emerging era of shared mobility makes this a very relevant product for vehicle owners today because they can pay as per the usage of the vehicle and driving behavior. “As per the sandbox guidelines, the product can be launched only as a proof-of-concept pilot and the period for launch and completion is from 1 February, 2020 to 31 July, 2020 in line with the Irdai operational guidelines," said Ghosh.

While the outline of the product has been presented by the insurers, details about how exactly the premiums would be calculated and the benefits are yet to be finalized. Sanjay Datta, chief–underwriting, claims, reinsurance and actuarial, ICICI Lombard General Insurance said the insurer is looking at launching the pilot product over the next two months but didn’t reveal further information on premiums because the company is still working on that front. Datta, however, said that they may have to take a different approach at calculating premiums for this product because a single policy could cover a high-value Merc as well as a hatchback like Alto.

(The writer is Disha Sanghvi.)

TOP

Source

Drive cool as insurance cos ideate, test cooler products – The Indian Express – 20th January 2020

Two innovative ideas put forth by insurance companies stood out amongst the proposals approved by the Insurance Regulatory and Development Authority (IRDAI) under its regulatory sandbox project.

One, Bajaj Alliance General Insurance’s proposal related to ‘co-pay’ under health insurance and two, Reliance General Insurance’s own manage motor floater policy. Bajaj also has bagged approval for its ‘pay as you drive’ policy under the own damage category.

The IRDAI had introduced the regulatory sandbox and invited applications from insurance and tech-driven companies between September and October last year. The sandbox enables these firms to ideate, experiment and innovate with financial products. Of the 173 proposals it had received, the regulator approved 33.

“We welcome IRDAI approval on our proposals related to ‘copay’ under health insurance and ‘pay as you consume’ for motor insurance,” said Tapan Singhel, MD and CEO, Bajaj Alliance General Insurance. Co-payment or co-pay is a fixed amount paid by an insured for covered services. Insurance providers often charge co-pays for services such as doctor visits or prescription drugs.

“Under the co-pay model, we are associating with GOQii, wherein based on the engagement level of insured on the health platform offered by GOQii, the percentage of their copay will be decided,” he said. Under its ‘pay as you consumer’ proposal, the general insurer will come up with a product that will help vehicle owners pay premium based on the usage of the vehicle. The model will have premium based on the kilometers utilised by the insured or the amount of time they intend to drive the car.

“This will encourage more people to opt for Motor OD insurance since majority of the vehicles only have Third Party Liability policy as mandated by law,” Singhel added. Reliance General Insurance has introduced an all-new Motor Floater Policy, which enables coverage of multiple vehicles owned by a customer under a single policy.

The sum insured will be defined according to the value of the higher sum insured vehicle, and the customers can add or delete vehicles under the policy. It entails documentation for multiple policies under one umbrella.

This helps save time, reduces paperwork and other hassles for policyholders. Also, all communication and personal details of the policyholder can be clubbed under one policy; any information can be changed any time in one go, if need be.

“We are thankful for IRDAI’s unique sandbox platform... A multi-motor floater coverage model has the potential to achieve mass penetration of motor insurance in India. It enables the policyholder to manage multiple policies with just a single cover and is therefore, easy and convenient to use,” said Rakesh Jain, chief executive officer, Reliance General Insurance.

Maximum projects

The IRDAI approved 33 out of the 173 proposals it received under its regulatory sandbox project introduced to boost innovation in insurance. Of these, ICICI Lombard General Insurance has bagged themaximum approvals, with five schemes.

(The writer is Pradeep Pandey.)

Source

TOP

REINSURANCE

The world's oldest insurer has just slammed delay in raising FDI limit – CNBC – 22ND January 2020

The chairman of Lloyd’s Global, the world’s oldest insurer, has criticized the Indian government for the delay in liberalizing the sector but said he is hopeful of an eventual increase in the Foreign Direct Investment (FDI) limit.

The government had increased the FDI limit in the insurance broking and distribution space to 100 percent via automatic route but the limit for insurance underwriting space still remains at 49 percent.

Bruce Carnegie-Brown, Lloyd’s chairman stated that the Indian insurance market needs a lot more support in the form of foreign capital and he is hopeful that the government will move toward facilitating that required capital support.

However, despite the slower than expected liberalisation, the reinsurance major stated that the company is present in India for three years and hopes to stay here for another 300 years. The Lloyd’s chairman said he is optimistic that many more of its syndicates are looking at entering the Indian market. Currently, Lloyd’s only has one syndicate operating in the Indian insurance market.

At Lloyd's, its members come together as syndicates to insure and spread risks of different businesses, groups, companies and individuals. Each of the syndicates are specialists in different types of risks and decide which type of risks would be insured by them.

When asked about the existing order of preference in reinsurance treaties, with state-owned GIC Re being given first preference, Carnegie-Brown said Lloyd’s is very keen on the removal of the order of preference and Right of First Refusal which favors GIC Re at the moment.

The order of preference given to GIC Re creates friction in the market place and creates in-efficiency, said Carnegie-Brown. He also added that the current reinsurance regulations create problems for third party capital to arrive with confidence in India.

The chairman of the reinsurance major said Lloyd's feels that the government has taken steps to open up the insurance sector but the pace of it has been very slow.

The reinsurance major added that it's constantly working with the government to remove all the barriers coming in the way of the development of the Indian insurance and reinsurance market.

TOP

Source

SURVEY

Economic slowdown to hit insurance premium collections: Moody's – Financial Express – 21st January 2020

Despite low penetration, the ongoing economic slowdown will impact insurance premium collections over the next two to three years, global ratings agency Moody's Investors Service said on Tuesday.

The total insurance premium collected slowed down marginally for the year-ended March 2019, while the dip in growth was much sharper for general insurance, it said in a report.

The report comes at a time when India's GDP growth is estimated to have slowed down to a decadal low of 5 per cent in 2019-20 as per official estimates.

The International Monetary Fund has pegged the number at 4.8 per cent and expects it to pull down global growth as well. "We expect India's more moderate economic expansion to result in slower (re)insurance premium growth over the next 2-3 years," the rating agency said in its report. Total insurance premium grew 11.3 per cent in 2018-19 as against 11.5 per cent in the year-ago period due to a slowdown in economic growth, while the same for general insurance, which amounts for a fourth of the overall industry, was sharper at 12.5 per cent from 17.6 per cent a year before, it said.

The agency, however, said that low penetration points to further growth penetration in the Indian market from a long term perspective. As the middle class expands, there will be a greater scope for insurance companies, it said, pointing out that the penetration stood at 3.7 per cent in 2018, which is low as compared to developed markets such as UK at 10.6 per cent and the US at 7.1 per cent.

Health premiums in particular are likely to continue to increase as a result of the launch of Ayushman Bharat or National Health Protection Mission in September 2018, which aims to give a cover of Rs 5 lakh for 100 million families, it said. Moody's, however, said that the approach adopted by a majority 23 states is "less favourable" to insurers than the alternative insurance model, where government funds are paid to insurers in the form of premiums.

Insurers may nonetheless be involved in trust funds as India's states have the option of a hybrid model in which insurance protection is purchased for claims in excess of given limits, it added. The agency also noted that the changes in foreign ownership caps are credit positive for the sector and added that new reinsurance regulations will benefit non-life insurers.

TOP

Source

INSURANCE CASES

Life insurance firm told to pay Rs 2.5K relief to Mohali resident - The Tribune – 22nd January 2020

The District Consumer Disputes Redressal Forum has directed a life insurance company to pay Rs 2,500 compensation to a Mohali resident for causing mental agony to him.

In a complaint to the forum, Nand Lal, a resident of Karoran village, Mohali district, stated that the agent of Bajaj Allianz Life Insurance Company Ltd allured him that if he deposited Rs 5,000 per year with the company for three years, he would be paid Rs 50,000 after 10 years. So, he deposited Rs 15,000 (Rs 5,000 each) with the company on different occasions with a hope to get Rs 50,000. When he contacted the company on payment of Rs 15,000, he was told that the policy was no more in existence due to one installment of premium paid.

It was submitted that if the policy was dead how another two premiums were taken against the policy. It was further averred that on payment of Rs 15,000, he was informed that the policy lapsed one year ago. Despite due service, the company failed to put in appearance and was ordered to be proceeded against ex-parte. During the arguments, the complainant had submitted that the company had returned Rs 5,346 to him.

From the documents placed on record, the complainant was issued Bajaj Allianz Family Assure, Non-Participating Unit Linked Policy for sum assured of Rs 50,000 on annual premium of Rs 5,000. The said policy was for a term of 20 years commencing from March 5, 2009, and the date of maturity was March 5, 2029, and the frequency of payment was annual.

The forum stated that the grouse of the complainant is that on depositing Rs 15,000, he approached the company to pay Rs 50,000, but he was informed that the policy had lapsed one year ago. However, during the pendency of the complaint, a sum of Rs 5,346 had been credited to his account. The forum observed that from the perusal of Regulation 7 of the Insurance Regulatory and Development Authority (IRDA), the company could have at the most deducted Rs 1,000 from this policy and refunded the remaining amount to the complainant at its own. However, the company refunded Rs 5,346 to the complainant and that, too, after the filing of the instant complaint.

"In such circumstances, the company has committed deficiency in service by refunding Rs 5,346 contrary to the guidelines of the IRDA. Hence, the company is found deficient in rendering proper service to the complainant," the forum observed and directed the company to pay Rs 14,000 after deducting Rs 1,000 as per Regulation 7 of the IRDA, less the amount of Rs 5,346 already paid and to pay Rs 2,500 as compensation for mental agony and harassment.

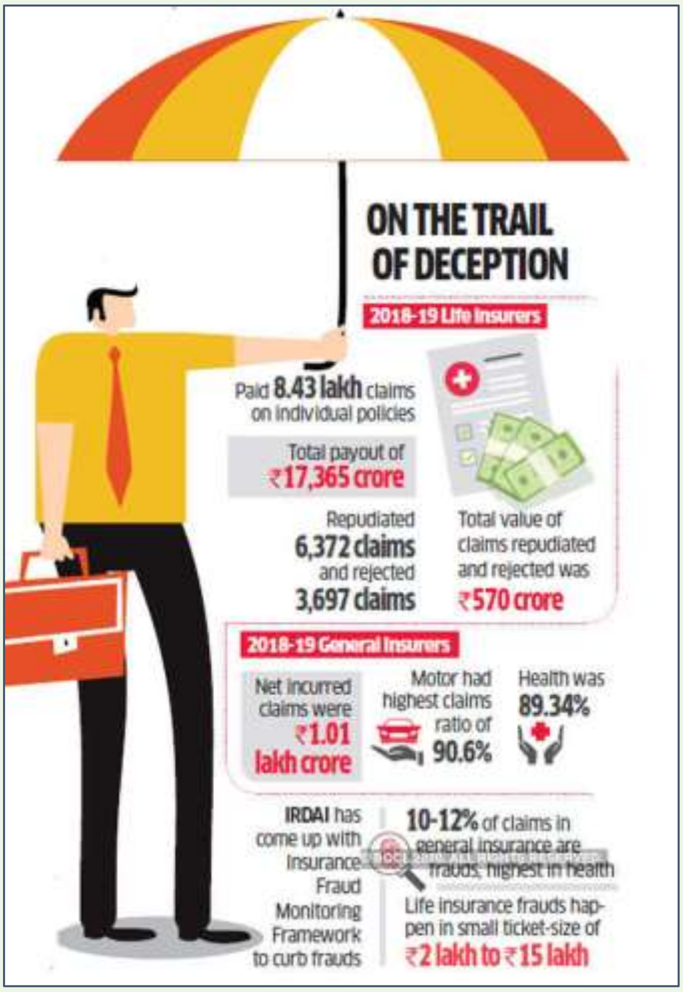
TOP

Source

Insurance frauds: How data analytics and rigorous checks are trying to eliminate bogus claims – The Economic Times – 22nd January 2020

On the pages of Gujarat officialdom, Manu Parmer became a footnote in the summer of 2015. The government register that notes births and deaths put Parmer down as a victim of drowning on June 27 at Paroda village, Ahmadabad. A blood examination report from an established pathological lab certified the death as such.

But there was a twist in the tale. Of course, Manu was no longer in this world, but his departure from it actually happened four years ago – in 2011. According to an FIR, the insured was covered for Rs 2.60 lakh in 2015, in case of natural death. Jagdish Parmer, the beneficiary, filed claims in May 2017. While the insurance company started investigating the claim, a letter from the sarpanch of the village exposed the fraud, saying that Manu Parmer had died in 2011.



This is not an isolated case. There are quite a few in which gram panchayats issued death certificates without doing much due diligence. That creates the dark web of elaborate deception, trapping companies that insure lives.

"Ghost applications and applications from terminally ill individuals constitute typical life insurance frauds," said Yusuf Pachmariwala, senior vice president and head of operations, Tata AIA Life Insurance. "Usually, they are executed by a coordinated team of racketeers and the sum insured involved is low."

DECEPTION MOST FOUL

Earlier, frauds were trigger-based and largely relied on intuition. Now that frauds are more organised, insurers can't depend completely on traditional practices to avoid escaping the trap.

Bajaj Allianz, for instance, recently got a motor insurance claim from Odisha, wherein a cleaner of a truck died as the truck collided with a tree in the early morning hours. The insurer investigated the claim that the truck driver had escaped the scene while the major damage was on the driver side of the truck.

To the company's surprise, the driver didn't have any injury due to the accident and instead the cleaner did. After the accident reconstruction, it was clear that the cleaner was driving the vehicle when the truck met with an accident. The cleaner had injuries on forehead, left femur bone fracture, and right hand laceration that matched with the post-mortem report of the cleaner. The cleaner did not have a valid driving licence, and the company concluded that it was a fraudulent claim.

BIG DATA TO THE RESCUE

With financial crimes becoming sophisticated and organised, insurers are contesting claims by adopting a combination of data analytics and forensic science to investigate frauds. Insurance companies have started looking for fraud detection tools, predictive analytics models and credit bureau data to track overall financial behaviour.

"If credit scores are good, generally the mortality is low. Those with good credit history are seen as reliable insurance seekers," said Pachmariwala.

Insurers today sit on a huge data repository that helps them understand customer behaviour and introduce products as per their needs. This database additionally helps in identifying the trends in terms of frauds as well. Many of the private insurers have come together and designed a common investigation portal to help investigate and create a claims probe outcome repository. Private insurers are also working on creating an insurance data repository, in line with the banking industry, at the policy issuance stage itself.

Another nexus of motor insurance fraud was exposed in Rajasthan, which has been among the top 10 states in vehicle theft, government data showed. Bajaj Allianz General Insurance received multiple intimations for motor theft claims of heavy construction vehicles in Bhagalpur district. While going through the preliminary investigations of stolen vehicles, their investigation team observed that, though all these vehicles were purchased by different owners just a year ago, the FIRs for stolen vehicles, their investigation team observed that, though all these vehicles were purchased by different owners just a year ago, the FIRs for stolen vehicles were registered through court by the same advocate.

Furthermore, the location of incident and narration of the given intimation were not matching. These findings raised questions and the team decided to meet the insured. Upon visiting the insured's location, Bajaj learnt that they were labourers who worked in the stone-breaking industry. The probability of these people affording such heavy construction machinery and vehicles or even securing loan to purchase such vehicles was low. This triggered a doubt of a huge nexus with the involvement of many people. The team shared the entire case and evidence with police authorities and requested their support for further investigation. The police then arrested the people involved and an FIR was lodged against them.

THE MODUS OPERANDI

The masterminds would look for people with low income, give them a lucrative offer in exchange of their details and then purchase a new vehicle using those details. Formalities of loan, RTO registration and insurance were also done by them. The insured had no control over the vehicle, except his name as registered owner. The insured were assured monthly rent of the vehicle and an assurance of repayment of EMI.

After a few days of purchase, the new vehicle was sent to a person in J&K and the intermediaries informed the insured that the vehicle was stolen and a claim needs to be registered. With the help of an advocate, the insured would lodge an FIR through court. The culprits further revealed that they had used similar practice with other insurance companies from the same location. The 'stolen' vehicles were then sent to people associated with the nexus in J&K and Mizoram.

"Accident reconstruction is a branch of forensics which helps determine how and why the accident happened," said Sanjiv Dwivedi, head - investigation & loss mitigation, Bajaj Allianz General Insurance. "It's not always possible that there will be eye witness or images of the accident that will help settle the claim immediately. It helps us analyse the impact of the accident and verify the authenticity of the claim made."

TIME LAPSE

On an average, the claim registration time for a motor claim from the date of accident is around 18 months. The more the time gap between the accident and claim registration, the lesser are the chances to get proper evidence about the claim. Insurance companies today share their respective fraud claims data with GIC. This helps them identify fraudsters who are hopping customers and make similar claims with various companies.

Insurers are identifying frauds at multiple stages — from underwriting stage to claim intimation — through the use of advanced analytics.

Insurers today are also exploring the geotagging option where a customer can send images of the damage or an investigator can click an image of the accident area by geo-tagging it. This increases the authenticity of the image shared with the insurer for claims.

(The writer is Shilpy Sinha.)

Source

[TOP](#)

Insurer told to pay Rs 14 lakh to widow – The Times of India – 22nd January 2020

A consumer court hear has pulled up an insurance company for betraying a widow by wrongfully denying her husband's death claim and ordered it to pay the insurance amount of Rs 14 lakh to her along with compensation for litigation cost and causing her shock and pain.

This happened because the insurance company denied death claim to the widow on the ground that her husband had already committed suicide before it received the proposal for life insurance policy. The policy was obtained in the name of a dead person.

The woman challenged the insurer's repudiation and won the case. The Ahmadabad District Consumer Dispute Redressal Forum has permitted the widow to recover Rs 14 lakh within 30 days from the insurance company along with Rs 20,000 towards legal expenditure and compensation for shock and pain caused to her due to wrong rejection on part of the insurer.

In this case, Prahladsinh Solanki from a villager near Dehgam had bought Rs 14-lakh life cover from Exide Life Insurance Co India Ltd in form of its ING Term Life Plus Plan. The policy was issued on November 27, 2013. In February 2014, Solanki's wife, Bhavnaben, applied for death claim saying that her husband passed away on February 1, 2014 because of diarrhea and supplied a death certificate issued by Prathmik Arogya Kendra, Gandhi agar.

In March 2015, the insurer rejected widow's claim on the ground that her husband had committed suicide on September 9, 2013. By the time the policy proposal was received and policy was issued, he had already died. The policy was issued in the name of a dead person.

Bhavnaben sued the insurer. After hearing the case, the consumer court said that the insurer had not provided any opportunity to the widow before repudiation and hence its decision was against the principle of natural justice. The death certificate is very clear.

TOP

Source

LIC directed to pay Rs 30,000 for failure to pay insurance money – The Times of India – 21st January 2020

The district consumer disputes and redressal forum has pulled up the Koraput branch of the Life Insurance Corporation (LIC) of India for failing to pay the insured amount of Rs 30,000 to the nominee of a dead policy holder.

The forum, in its order pronounced on Monday, asked the LIC to pay the assured sum of Rs 30,000 with an interest of 6% per annum from April 6, 2016 within 30 days of the communication of the order.

The complainant Budra Pradhani is a resident of Pradhaniguda of Boipariguda block in Koraput district.

He said his father Baida Pradhani had bought an LIC policy bearing number 571394617 on July 22, 2006 and died on November 28, 2007 while the policy was in force.

However, Budra came to know of the policy in 2016 and applied for the assured amount on March 29, 2016. But the LIC authorities contended that any death intimation received after three years is barred by limitation and is not payable.

“As I was working as a labourer in Andhra Pradesh for 10 years from 2006 to 2016, I was unaware of the policy bought by my father. I came to know of it after returning to the village in 2016,” said Budra. “I had also produced a certificate obtained from the sarpanch of Chandrapada before the LIC authorities to substantiate my absence from the village,” he added.

Budra further said as he failed to get the assured amount from LIC, he approached the consumer forum to direct the opposition party to pay the sum with an interest of 9% and a compensation of Rs 50 per day from November 28, 2007.

After examining the case, verifying the documents and recording statements, the forum comprising its president Nibedita Rath and member Jyoti Ranjan Pujari, found the LICguilty and directed it to pay the assured sum with an interest of 6% per annum.

“The complainant being the nominee is entitled to get the sum assured with interest. However, observing the peculiarity of the case, the forum is not inclined to grant interest from the date of the death of the policy holder but from the date of the filing of the case,” Rath said.

She added that the forum was not inclined to grant any compensation and cost in favour of the complainant as prayed for.

(The writer is Satyanarayan Pattnaik.)

TOP

Source

Onus of proving pre-existing disease is on insurer: Court – The Times of India – 21st January 2020

A consumer court pulled up HDFC Standard Life Insurance for denying a woman her husband’s death benefit, claiming that the man had concealed his health problems while opting for the policy.

The court ordered that the firm must pay her Rs 2,24,737 with interest, besides Rs 40,000 for causing her mental agony and another Rs 4,000 towards her court expenses.

Kanakapura resident Padma V’s husband Venkatesh died of a massive heart attack on October 30, 2014. A few weeks later, Padma gathered her husband’s HDFC Standard Life Insurance policy papers, worth over Rs 2.2 lakh, and applied for death benefits. But much to her shock, HDFC replied on January 27, 2015, turning down the death benefit claim as Venkatesh had a history of illness which he hadn’t disclosed in his policy application.

Padma tried to convince the insurer for nearly two years before approaching the 3rd Additional Bangalore Urban District Consumer Disputes Redressal Forum on September 27, 2016, with a complaint against the firm.

HDFC’s attorney slammed the case as frivolous and an illegal attempt towards monetary gain. He said the HDFC policy was issued to Venkatesh on September 13, 2014 and he knowingly penned ‘No’ in the column on the application form regarding diabetes, high blood pressure and heart condition, hiding his health parameters. A probe prior to issuing his death benefit money had ascertained that he had a history of illness and the money had been rightfully denied, the attorney added.

The consumer court slammed the insurance firm over its inability to prove Venkatesh history of illness. The judges said, as per the National Commission, the burden of proving that the policy holder had pre-existing illness is on the insurance company and not the insured. Pre-existing illness can be determined only if the policy holder had been hospitalised or undergone surgery within the proximate period of the date of the policy. Moreover, the onus is on the insurance company to verify all the L facts mentioned in the application form before issuing the policy, and HDFC had in this case failed to do so.

(The writer is Petlee Peter.)

TOP

Source

Retailer wins 10-year battle against insurance firm – The Times of India – 20th January 2020

A 10-year-long court battle was what it took a cellphone retailer to win an insurance claim after one of its outlets was burgled, leading to a loss of over Rs 9 lakh. A city consumer court ordered the insurer United India Insurance - to pay for the loss suffered and also the chain's litigation expenses.

Mobile NXT Teleservices Limited, with its registered office in Cooke Town, ran cellphone outlets in several parts of Bengaluru and insured them for a sum of Rs 1 crore in the event of contingencies under the burglary declaration policy of United India Insurance.

In the early hours of January 18, 2007, burglars broke into one of the firm's cellphone outlets and decamped with handsets worth Rs 7.5 lakh, Rs 48,000 and damaged interiors worth over Rs 1 lakh. The firm's representatives lodged a police complaint and an FIR confirmed the break-in and a probe began.

The cellphone retailer, represented by its CEO Vijay Menon, approached United India Insurance office in Bengaluru on May 5, 2007 with all documents, including police reports to claim the insurance money. With the firm failing to reply for 10 months, the retailer sent a reminder on March 7, 2008. Two months later, on May 9, 2008, over a year after the claim was made, United India responded only to debunk the money claim, stating their in-house surveyor established there was no break-in at the shop.

After numerous attempts to claim the insurance sum failed, representatives of MobileNXT approached Bangalore Urban District Consumer Disputes Redressal Forum on June 27, 2009 with a complaint against the insurer.

Menon, representing MobileNXT, submitted the required documents, but the insurer claimed the case was false and fabricated. The lawyer representing the insurer argued there was no forceful entry and they suspect duplicate keys were used to gain access with the possible connivance of shop staff. He said the insurance surveyor established that there was no break-in and the photographs submitted by the customer as part of the money claim too were forged.

Officials slammed

In a litigation lasting over 10 years, the judges of the consumer forum questioned the insurance firm officials on why it took over a year to respond to the claimant.

The judges slammed the officials for overlooking the fact that ingenious burglaries these days are non-violent and can be executed even without forceful entry. It is clear that the interiors of the shop were damaged and the cellphone display racks cut open and this has been established in the police report, they said.

The insurer denying the customer the insurance money is a clear case of service deficiency, the judges added.

In its December 19, 2019 verdict, the court ruled that the manager of United India Insurance Ltd's divisional office IX on Kasturba Road, Bengaluru pay Rs 3,47,856 to the cellphone retailer, apart from Rs 5,000 towards litigation cost, all within six weeks from the order, failing which the sum would attract an 8% interest till the date of realisation.

TOP

Source

HC criticises insurance firm for denying claim – The Hindu – 20th January 2020

The Delhi High Court has observed as "unreasonable" the stand of an insurance company that a man, who suffered a fatal injury while riding a high-end cruiser motorcycle, died of 'self-inflicted intentional injury'.

Justice Prathiba M. Singh observed that "such a stand would be unreasonable as riding a bike could not per se be construed as a 'self-inflicted intentional injury' and considering the report of the surveyor, appointed by the insurance company itself, the same was clearly an accident".

"When any person meets with a fatal accident of this nature, to term the same as 'self-inflicted intentional injury' would be extremely insensitive," Justice Singh said, adding, "The stand of the insurance company reflects a serious prejudice". "Whenever claims for insurance are made, the same ought to be treated with compassion and sensitivity of the family members ought to be borne in mind. The insured and their families ought not to be made to run from pillar to post for getting their claims," the judge said.

"The effort ought to be to empathise with the insured and families rather than taking an adversarial stand," the High Court said, while hearing a petition by the wife of the deceased, a lawyer. He met with a fatal accident on February 5, 2017. The deceased had obtained a Personal Accidental Insurance (Individual) Policy from The New India Assurance Co. Ltd. for a sum of ₹58.75 lakh. The wife was the nominee of the deceased under the said policy.

The insurance company had taken the stand that since the deceased was riding a high-end cruiser bike, the same constitutes 'self-inflicted intentional injury'. It had appointed a surveyor, who, in his report came to the conclusion that the death took place genuinely in a road accident. However, despite the investigation report, the insurance company failed to honour the claims and took the position that the injury was a 'self-inflicted intentional injury'.

The wife of the deceased moved a complaint before the National Consumer Disputes Redressal Commission (NCDRC) in April 2018 where the case did not had any effective hearing and subsequently was given a date on November 2020. She then approached the High Court seeking early hearing of the complaint before the NCDRC as she was in need of the insurance amount. The High Court has asked the NCDRC to hear this matter on an early date and to dispose of the complaint within a period of six months.

(The writer is Soibam Rocky Singh.)

Source

TOP

PENSION

Govt plans to cut EPF contribution rate, take home pay would rise: Will employees benefit? - The Economic Times – 24th January2020

The Government of India proposes to bring in radical changes in the Employees' Provident Fund (EPF) regulations, by consolidating the various laws relating to social security with the introduction of the Code on Social Security, 2019. One of the key changes proposed in the Social Security Bill with regard to employees' PF is the reduction in PF contribution from 12 percent to 10 percent.

Currently, employee contribution to PF is 12 percent, and an equal percentage is contributed by the employer.

While EPF rules allow the employee to contribute up to 100 per cent of one's basic pay, the employer need not match the enhanced rate of contribution.

However, the draft EPF Bill proposes to reduce the EPF rate of contribution to 10 percent, both by the employee and the employer. Further, it also mentions that the government may notify a specific rate of contribution and the period for which such rate will apply for any class of employee.

Impact of the move

1. Take home pay would increase

If EPF contribution rate is reduced from 12 percent to 10 percent, the net monthly income for individuals will increase, thereby raising the take-home pay. The rationale for allowing lower employee PF contribution could be to give employees a higher take-home pay leaving them with more flexibility to plan their personal finances, such as paying a higher EMI for home loan, investments, other purchases, etc. Thus, this could lead to increased spending which may come as a shot in the arm for the economy.

2. Retirement corpus would decrease significantly

As the PF corpus accumulates over the years and fetches an attractive interest rate, the effect of compounding gives a good return on the corpus at the time of retirement. However, the decline in the investments could lead to significant reduction in the PF corpus.

While the overall reduction proposed is only 4 percent (2 percent for employer and 2 percent for employee), the overall impact of the reduction over a period of time could be quite significant. Thus, individuals who have planned a certain retiral corpus may need to invest their entire savings either through NPS, ULIP, SIPs, etc. to meet their retirement goals.

3. Cost-to-Company (CTC) may have to be restructured

Typically, employers agree on a CTC with the employees while deciding on the remuneration. Thus, any reduction in the PF contribution will necessitate the need to increase the compensation payable to the employees. Employers may have to re-structure the existing package or they may pay the additional amount in the form of an allowance which may have tax consequences.

4. Income tax benefit may decrease

PF contributions are entitled for income tax deduction under section 80C. The maximum amount of deduction that can be claimed under this section is Rs 1.5 lakh. Reducing the percentage of the PF contribution may result in higher tax pay out if no other tax-saving investments are made.

For instance, if annual contribution towards PF falls by Rs 10,800, then for someone paying 31.2 percent tax, the excess tax of Rs 3,370 will have to be borne by the employee, unless there are other eligible (under section 80C or similar exemption-related sections) investments made.

Currently the Social Security Code has been referred to a Standing Committee of the Parliament and one may need to examine the Standing Committee Report and the changes made thereafter, to know what finally happens in the matter.

(The writer is Homi Mistry.)

Source

TOP

Budget 2020 should cut tax outgo by changing sec 80c, family pension laws – The Economic Times – 23rd January 2020

There is widespread hope that the forthcoming Union Budget 2020 will cut personal income tax through a rejig of tax rates and/or slabs. However, in addition to this, there are several other tax benefits that Budget 2020 should implement.

Some of these include an increase in (i) The limit of investment under section 80C of Income Tax Act; (ii) Family pension exemption limit; (iii) Section 80TTA deduction for general citizens; and (iv) Hike in the amount spent on preventive health check-up allowed as a deduction.

Increase the investment limit under section 80C
Deduction under section 80C is a deduction from gross total income which can be claimed for investment in specified avenues or specified expenditures up till a specified limit. The existing maximum deduction available under this section is Rs 1.5 lakh, which was set in 2014. Since this deduction can be claimed for investment in many avenues and several types of expenditure, the limit is easily exhausted, very soon. It is expected that the coming budget increases the limit to Rs 2.5 lakh.

Hike family pension exemption limit
If any uncommuted family pension is received, then it is exempt up to a certain extent. The current exemption limit is Rs 15,000 or a third of the amount received, whichever is lower. The said limit of Rs 15,000 should be increased to Rs 50,000 considering the actual amount of pension nowadays and to provide genuine benefit to the receiver of the pension. The family pension is taxable under the head 'income from other sources' due to which benefit of standard deduction of Rs 50,000, which is available for salaried persons, is also not available for family pension.

Increase the limit under section 80TTA and make deduction eligible for FD interest also
In case of normal citizens (i.e., non-senior citizens), presently deduction of Rs 10,000 is available on interest earned on savings accounts only. It is expected that the budget would hike the limit of Rs 10,000 to Rs 20,000, and also make interest from time deposits (fixed deposits) eligible for this deduction. Generally, people save less of their hard-earned money in savings accounts due to very less interest rate and prefer to keep in fixed deposits.

Preventive health check-up deduction up to Rs 10,000
A big amount of expenses are incurred by a common man on regular health check-ups for self, spouse, children, and parents. But the maximum amount of deduction for preventive health check-up in total is Rs 5,000. It is hoped that Budget 2020 will increase this at least up to Rs 10,000.

Hike in tax threshold of LTCG on equities
In Budget 2018, tax on long-term capital gain (LTCG) of more than Rs 1 lakh was introduced. LTCG exceeding this limit is now taxed at 10 per cent without giving indexation benefit. Most salaried individuals invest in equities for long-term purposes and it is expected that Budget 2020 will increase this exemption limit to Rs 2 lakh to boost the Indian capital market.

(The writer is Abhishek Soni.)

TOP

Source

EPFO notifies new rules for stenographer's recruitment - The Economic Times – 24th January 2020

The Employees' Provident Fund Organisation has notified new rules for regulating recruitment to the post of stenographer in the central board of EPFO. The retirement fund body is seeking employment of 187 stenographers at Level 4 pay scale, to be revised for 30% of stenographers to Level 6 on completion of five years of regular service.

As per the notification, the central board in consultation with the central government may relax any of the provisions of these rules with respect to any class or category of persons. "Where the Central Board is of the opinion that it is necessary or expedient so to do, it may, by order, for reasons to be recorded in writing and in consultation with the Central Government, relax any of the provisions of these rules with respect to any class or category of persons," it said.

Besides, nothing in these rules shall affect reservation, relaxation of age-limit and other concessions required to be provided for the schedule castes, the scheduled tribes, other backward classes, Ex-servicemen and other special categories of persons in accordance with the orders issued by the central government from time to time in this regard.

(The writer is Yogima Seth Sharma.)

TOP

Source

Good news for salaried! EPFO introduces this feature for easy provident fund withdrawal, transfer – Financial Express – 22nd January 2020

If your provident fund (PF) withdrawal or PF transfer is getting stuck due to the missing date of exit in the EPFO system, here's a piece of good news. The Employees' Provident Fund Organisation (EPFO) has introduced a facility in the Unified Portal wherein the employee can enter the date of exit from the previous or the last employer by oneself. Till now, only the employers had the authority to enter or update the exit date of the employee. However, from now onwards even the employee after leaving an organization or company can enter the date of exit.

Sometimes employers do not update the date of exit in their records or at times the previous company or an establishment, where the employee had been working, gets shut down. If the exit date is missing, it leads to delay in settlement of PF claims including withdrawal and transfer.

One needs to log-on to the UAN Portal i.e. the Unified portal for members using one's Universal Account Number (UAN) and password.

But, before you proceed to enter the date of exit, it is important to check whether the exit date is already entered or not. To check, exit date click on 'Service History' under 'View' on the top panel.

To enter 'Exit Date, here's the process on UAN portal:

On the top panel, click on 'My Account' and under it click on 'Mark Exit'.

From the drop-down, on the next page, choose the employer.
On the next page, you need to enter
1) Date of birth
2) Date of joining
3) Date of exit..Enter

Here, you can select any date of the last contribution month by the employee. To know the month of the last contribution, EPFO provides information on the top panel. The Member ID, Establishment Name, Month of the employer the last contribution is shown there. Ideally, put the date of exit as the date mentioned in your resignation letter if it is before 15th of the month.

Important to note is that the OTP is to be sent at your phone number registered with Aadhaar and not in the EPFO records.

If you have recently left a job, you need to wait for 2 months before you are allowed to enter the date of exit. This is because the date of exit can only be updated after 2 months of the last contribution made by the employer.

(The writer is Sunil Dhawan.)

Source

TOP

Lower PF contribution may be allowed for select class of workers – The Economic Times – 22nd January 2020

If you are a working woman, a professional with disabilities or a young working male in the age bracket of 25-35 years, you may be allowed to lower your contribution towards the provident fund kitty by 2-3%.

A senior government official told ET that lower contribution rule under PF will not apply to all.

"It will not be universal... This will be permitted for certain class of workers," the officials said, adding that these class of workers will be decided based on a certain criteria.

Working women and professionals with disabilities could be included in the class of workers as per the criteria being discussed.

The labour ministry has begun discussions on the proposed criteria to be adopted to classify the category of workers who can be given an exemption of up to 2-3% in their share of contribution, and a decision is expected shortly.

"Government is seized of the fact that social security is needed at the time of retirement. However, young employees need enough funds at disposal for wedding, housing and other needs in the initial years of their careers and hence the proposal," the official quoted above said.

Currently, all employees are mandated to contribute 12% of their basic wage under the Employees Provident Fund Organisation and a matching contribution is made by the employer.

As part of the Code on Social Security, 2019, the labour ministry has proposed flexibility in the Employee Provident Fund & Miscellaneous Provisions Act, allowing for different rates of contribution. No change has been proposed in employer's contribution. The bill, tabled in Parliament, is now before the standing committee on labour.

The rule defining the criterion for applicability will be notified by the ministry once the Code is approved by the Parliament. The idea is to allow some flexibility to a certain category of workers in a fixed age bracket to reduce their contribution to PF and thus allow them to increase their take home salary.

As per the current EPF & MP Act, 12% of basic salary (capped at Rs 15,000) is contributed to an employee's EPF account, with matching contribution from the employer. Of the employer's contribution, 8.33% goes to Employee Pension Scheme (EPS). Also, the EPS contribution is calculated on a basic pay of Rs 15,000 or actual basic pay, whichever is less. If the basic exceeds Rs 15,000, then EPS contribution is calculated as 8.33% of Rs 15,000, which is Rs 1,250 per month.

The writer is Yogima Sharma.

TOP

Source

EPF account holders can now update exit date online after changing jobs – Mint – 21st January 2020

Allowing subscribers to update exit date online after changing jobs, the Employees' Provident Fund Organisation (EPFO) has now launched 'date of exit' facility on the EPF portal. Earlier, EPF account holders were dependent on their ex-employers to declare the date - of exit as the facility was not available online to EPF subscribers.

"Now employees can also update their date of exit," EPFO announced on Twitter today.

Here is how to update your date of exit on EPFO portal:

1) Log in to the EPFO portal with your UAN (Universal Account Number) and password.

2) Go to "Manage" section and click on "Mark Exit". You will then get the option to choose your PF account number from the "select employment" dropdown menu.

3) Fill in the date of exit and the reason of exit. Click on option "Request OTP" and enter OTP sent on your Aadhaar-linked mobile number. Select the checkbox and then click on "Update" and then "Ok".

4) You will then get a message stating that the date of exit has been updated successfully. Once it is done you can go to "View" and "Service History" where you will be shown the date of joining and exit from both EPF and EPS.

You cannot mark your date of exit before two months of leaving the company. In the past, several EPF subscribers had complained that their previous employers are not co-operating in declaring the date of exit on EPFO portal.

Marking your date of exit is important as it might affect claim submissions and settlements later on. After switching jobs, if your date of exit is not marked correctly then your employment might not be treated as continuous and you might be asked to pay tax on the interest earned during the intervening period.

(The writer is Nikhil Agarwal.)

TOP

Source

When does your EPF become taxable? - 21st January 2020 – The Economic Times – 21st January 2020

For salaried individuals, the monthly contribution towards the Employee's Provident Fund (EPF) remains the only forced savings mechanism. Not only is the contribution eligible for tax benefits under Section 80C, both the interest earned and money received on super annuation are tax-free. Here is a look at certain scenarios with regards to your PF and whether you will be taxed.

Scenario 1: Withdrawal of EPF after 5 years of continuous service
Taxability: No TDS. Further, the individual need not offer the same in the return of income as such withdrawal is exempt from tax

Scenario 2: Transfer of PF from one account to another upon a change of job
Taxability: No TDS. Further, the individual need not offer the same in return of income as it is not taxable

Scenario 3: Before completion of 5 continuous years of service or if employment is terminated due to employee's ill health, the business of the employer is discontinued or the reasons for withdrawal are beyond the employee's control
Taxability: No TDS. Further, the individual need not offer the same in the return of income as such withdrawal is exempt from tax

Scenario 4: Amount withdrawn is less than Rs 50,000 before completion of 5 continuous years of service
Taxability: No TDS. However, If the individual falls in the taxable bracket, he has to offer such EPF withdrawal in his tax return

Scenario 5: Amount withdrawn is more than Rs 50,000 before completion of 5 years of continuous service
Taxability: TDS @ 10% if PAN is furnished; If PAN is not furnished, TDS at maximum marginal tax rate. No TDS if Form 15G/15H is furnished

(The writer is Sanket Dhanorkar.)

TOP

Source

Retirement planning: How to maximise returns from EPF, NPS investments - The Economic Times – 21st January 2020

Retirement planning can be tricky. First there is inflation eating away at your savings. Then there are unscrupulous bankers and agents, out to missell unsuitable products. Add to this the tendency to invest in traditional avenues like gold and real estate and you have all the ingredients for an unstable future. However, the silver lining are the two dedicated retirement vehicles— the humble EPF and the more recent NPS. Both are now evolving— adding new features, granting more choices and introducing flexibility in investments and withdrawals.

Though the plan to allow portability between EPF and NPS has been junked, consider how you can leverage both while planning your retirement.

In this week's cover story, we focus on the changing retirement landscape and find out how you can make the most of these two instruments to ensure that your golden years are secure.

EPF

For salaried individuals, the monthly contribution towards the Employee's Provident Fund (EPF) remains the only forced savings mechanism. Every month, 12% of your basic salary, along with a matching contribution by your employer, flows into the EPF account. From the employer's contribution, 8.33% goes into a pension vehicle—the Employee's Pension Scheme (EPS). Not only is the contribution eligible for tax benefits under Section 80C, both the interest earned and money received on superannuation is tax-free.

The EPF ensures your contributions keep rising steadily, in line with rise in salary. Since the contribution is a fixed proportion of the basic, the outgo rises in step with your income. This facet is critical for building a sizeable retirement corpus. However, to really benefit from the EPF, you should consider the following points:

Hold account till retirement

Many dip into the EPF corpus to meet short-term needs. Recent changes in withdrawal rules have perhaps made matters easier. Partial early withdrawal from EPF is now permitted for a child's marriage, higher education and making a down payment for a house, subject to conditions *(see table)*. Members are also allowed to withdraw the entire amount if they remain unemployed for more than two months.

While a certain degree of flexibility can be a relief in a genuine crisis, experts say you should not touch the EPF money until retirement. The essence of the EPF lies in letting compounding work its magic. The corpus, if allowed to build up with incremental contributions each year, can reap huge benefits in the long run. For instance, an individual with a basic salary of Rs 15,000 and 30 years left for retirement can attain a corpus of Rs 60.75 lakh at the age of 58, assuming a 5% yearly rise in contribution.

If the corpus is withdrawn partially in the accumulation phase, it takes away the compounding benefits accrued over years. Suresh Sadagopan, Founder, Ladder 7 Financial Advisories, says, "EPF is a retirement vehicle. Abusing the withdrawal flexibility during the accumulation phase will hurt one's retirement phase." Even if your PF becomes dormant due to job loss, maintain the account as interest will be payable on the balance until the age of 58.

Enhance contribution via VPF

Some recommend enhancing the contribution beyond the mandatory 12% through the Voluntary Provident Fund (VPF). The VPF is an extension of the EPF that allows you to invest beyond the 12% threshold while providing the same tax benefits and return. While the PPF carries an investment limit of Rs 1.5 lakh per annum, there is no such restriction on VPF. Besides, unlike PPF returns that fluctuate in line with 10-year government bond yield, the interest rate on VPF is the same as that of the EPF. The current interest rate of 8.65% is much higher than that of PPF's 7.9%.

Hiking PF contribution will obviously mean lesser take home pay. However, experts contend that having a little less spending power now could mean more financial stability later. Says Tanwir Alam, Founder & MD, Fin cart, “If you are close to retirement, consider enhancing contribution through VPF. At this stage, don’t take the risk of equities to achieve a bigger corpus.” Younger contributors must remember that VPF comes with withdrawal restrictions. The money is locked in till retirement or until the time you leave the job.

Besides, any ramp up in PF contribution should be done with broader portfolio asset allocation in mind. Sadagopan argues, “If you are over-exposed to debt as per your asset allocation, do not invest more in PF. Instead, opt for instruments with a greater wealth creating potential like equities.” Young savers would be better off opting for a higher equity component through the NPS or equity funds rather than enhancing their debt allocation through VPF.

Rollover account with jobs

When changing jobs, transfer your existing EPF balance to the new employer. Withdrawing the accumulated balance is a strict no no. There are several downsides if the amount is not transferred or withdrawn and is kept idle. First, it could increase your tax liability. Even after you leave the job, the account continues to fetch interest until it becomes inoperative upon retirement. This accrued interest component becomes taxable, even if you do not withdraw money from the account.

Further, if the balance is not transferred, the five year continuous service clause for tax exemption is reset to the starting date of the new account, points out Kuldip Kumar, ED, Tax & Regulatory Services, PWC. Any withdrawal within a few years of job change may become taxable even if you have completed five years of continued service spread over the two employers. Failure to transfer EPF balance also means that previous employment stints will not be counted towards pension eligibility upon retirement under the EPS. An individual is eligible for pension benefit once he has completed 10 years in service.

Moreover, the EPF account transfer, if not done within 3 years after leaving a job, becomes a tedious process. Therefore, ensure the accounts are clubbed for continued capital appreciation. Rohit Shah, Founder and CEO, Getting You Rich, says, “Be meticulous in following up with your previous employer and the EPFO about the transfer.” While the Universal Account Number (UAN) remains the same across EPF accounts, it is not the same as balance transfer.

The National Pension System (NPS)

When the NPS first became available to the general public more than 10 years ago, it was plagued by rigid rules and a tax- unfriendly structure. In recent years, this dedicated pension offering has evolved to become more tax efficient, offering more flexibility and options. At the same time, it continues to be the lowest cost offering, despite multiple layers of charges. The NPS now permits deployment of up to 75% of the corpus into equities. Here is how you can make the most of the NPS:

Get multiple tax benefits

While capital gains from equity funds now face 10% tax above the Rs 1 lakh threshold, taxability of NPS is gradually moving in the opposite direction. Earlier, only 40% of the 60% accumulated corpus allowed to be withdrawn as lumpsum at the time of retirement was tax free. The remaining 20% was taxed at normal rates. Now, the entire 60% is tax free. The balance 40% still has to be compulsorily put into an annuity, which is subjected to tax. NPS thus falls somewhere between the EEE and EET (exempt-exempt-taxable) regime.

While some find the mandatory annuity restrictive, it may be a blessing. By putting the subscriber onto a forced annuity, it ensures that people don’t dip into the retirement corpus for other goals or spend it recklessly. Sumit Shukla, CEO, HDFC Pension Funds, argues, “The annuity component actually takes care of longevity risk by making sure retirees don’t eat into the corpus quickly.”

NPS Auto choice option sharply cuts equity allocation from early on

AGE	EQUITY ALLOCATION (%) AGGRESSIVE LIFECYCLE FUND	MODERATE LIFECYCLE FUND	CONSERVATIVE LIFECYCLE FUND
Up to 35 years	75	50	25
36 years	71	48	24
37 years	67	46	23
38 years	63	44	22
39 years	59	42	21
40 years	55	40	20
41 years	51	38	19
42 years	47	36	18
43 years	43	34	17
44 years	39	32	16
45 years	35	30	15
46 years	32	28	14
47 years	29	26	13
48 years	26	24	12
49 years	23	22	11
50 years	20	20	10
51 years	19	18	9
52 years	18	16	8
53 years	17	14	7
54 years	16	12	6
55 years & above	15	10	5

NPS subscribers can claim tax benefits under different heads *(see chart)*. Investments are eligible for deduction under Section 80CCD (1) with an overall ceiling of Rs 1.5 lakh under Section 80C. Self-employed persons can claim deduction on contribution up to 20% of their gross income, subject to the maximum limit of Rs 1.5 lakh. This apart, both salaried and self-employed can claim additional deduction of up to Rs 50,000 under Section 80CCD (1B). In the 30% tax bracket, this means additional tax savings of Rs 15,600. Together, subscribers can claim deduction up to Rs 2 lakh for contributions towards NPS.

There is more. Subscribers can bring down tax liability further if their employer puts up to 10% of their basic in the NPS under Section 80CCD (2). There is no upper limit for this deduction. If your basic is Rs 50,000 per month and you are in the 30% bracket, you can cut your tax outgo by almost Rs 18,720 if your company contributes 10% of basic in the NPS. Planners say if the employer offers NPS as part of the package, salaried persons should not miss out on the opportunity. Shah suggests, “If you are not disciplined in savings, avail of the multiple windows afforded by the NPS.”

NPS Active choice allows for higher equity exposure until later years

AGE (YEARS)	MAX EQUITY ALLOCATION (%)
Up to 50	75
51	72.50
52	70
53	67.50
54	65
55	62.50
56	60
57	57.50
58	55
59	52.50
60 & above	50

Beyond tax savings

Don’t invest in NPS for tax benefits alone. For instance, putting aside Rs 50,000 per year in NPS for the additional tax benefit may not add much to your retirement corpus. Placing a limit creates an artificial ceiling for your savings. Besides, it will deprive you of adequate pension benefits.

A 30 year old putting aside Rs 50,000 per year—in monthly installments—into NPS would effectively accumulate a corpus of around Rs 93 lakh at 60, assuming 10% annualised returns. However, you cannot deploy the entire Rs 93 lakh upon retirement. About 40% of this— Rs 37 lakh— will go towards compulsory annuity. At current annuity rates of 6%, this corpus would fetch a monthly pension of around Rs 18,600. In all likelihood, annuity rates at that time will be much lower, implying even lower pension. This will hardly suffice for most individuals. Experts say make NPS one of the cornerstones of your retirement planning, along with other avenues like EPF and equity funds. Says Shah, “Instead of opting for NPS purely for tax benefits, take a holistic view of your portfolio for a better sense of your requirement.”

Multiple benefits under NPS allow sizeable tax savings

MONTHLY BASIC SALARY (₹)	15,000	30,000	45,000	60,000
Full year EPF contribution up to 12% of basic (₹)	21,600	43,200	64,800	86,400
NPS under Section 80CCD (1B) up to ₹50,000 (₹)	50,000	50,000	50,000	50,000
NPS under Section 80CCD(2) upto 10% of basic (₹)	18,000	36,000	54,000	72,000
Total deduction under NPS (₹)	68,000	86,000	1,04,000	1,22,000
Total tax savings in 30% tax bracket (excl cess)	**20,400**	**25,800**	**31,200**	**36,600**

At times, your requirement may even be much lower than what you are putting aside. Persons with an already beefed up retirement portfolio may not need to put aside put a large sum in NPS. You may end up unnecessarily locking up money for a long time purely for tax considerations.

Use switches judiciously
In a previous avatar, the NPS only allowed fund managers to take pure passive exposure to equities via index funds. Now, however, the NPS permits active fund management. This is to potentially deliver market beating returns to the subscriber. However, with active investment comes the element of human bias and judgment. Your investment experience would depend on the execution capabilities of the fund manager, apart from the vagaries of the marketitself.

Given this added variable, it is critical that NPS subscribers choose the fund manager carefully and keep monitoring the performance. If the selected fund manager lags behind others, you can switch to another fund manager. NPS now allows two switches in a year, without any tax incidence. However, subscribers should not abuse this flexibility by constantly changing fund managers, says Alam. Shift only if underperformance persists over three or more years. Likewise, NPS also permits subscribers up to two switches in asset allocation in a year. Use this flexibility in moderation. Avoid shifting asset mix in response to market fluctuations. Remember that the NPS automatically rebalances the portfolio according to your chosen asset mix.

Opt for active choice for greater control
The NPS offers subscribers the choice of two investing modes—Active choice and Auto choice *(see table)*. Under Active choice, you can choose your own asset mix, deciding the split between equity, corporate bonds and government bonds. Otherwise, you can opt for lifecycle funds where the asset mix changes automatically as the individual grows older. Three life cycle funds—aggressive, moderate and conservative—cater to investors with different risk appetites. The gradual decline in equity exposure protects the corpus against volatility as retirement nears.

However, auto choice can get restrictive as this moderation in equity exposure begins too early. Whatever your risk profile, the exposure starts coming down from age 36. Even for a subscriber who opts for 'aggressive' option for higher equity exposure, the allocation reduces sharply from 75% up to age 35 to 55% by the time he hits 40 and further to 35% by age 45. With 15-20 years still to go for retirement, experts feel this could be a missed opportunity for the subscriber. A common rule of thumb suggests that individuals should hold a percentage of stocks equal to 100 minus their age. So, for a typical 45-year-old, roughly 55% of the portfolio should ideally be in equities.

Investors who have a fair understanding of the market should opt for the Active choice model, planners say. "Auto choice is for lazy investors. Those who are planning their finances carefully should take the Active route," suggests Harsh Roongta, a Sebi registered investment adviser. Assuming you are already contributing to EPF, your NPS asset mix should have a high-equity bias initially. Only those who are adequately invested in equity funds as part of their retirement portfolio may consider a more conservative approach.

Reduced PF contribution
Reports suggest the government is considering giving employees the flexibility to reduce their PF contribution, currently pegged at 12%. Allowing lower PF contribution is aimed at enhancing your take home pay. However, experts feel such a move will dilute the forced savings nature of the vehicle and compromise your nest egg. For instance, for a 30-year-old earning a basic salary of Rs 30,000 a month, if the contribution is reduced from 12% to 10%, the retirement corpus will shrink from a potential Rs 92 lakh to Rs 76 lakh by the time he retires. Besides, lower contribution to EPF will mean less tax benefit. Financial planners say you should maintain the contribution at 12% at the very least.

SWP in place of annuity
At present, NPS subscribers on retirement have to compulsorily buy taxable annuities from insurance companies using 40% of the accumulated corpus. However, the high cost and low yield of these annuities

is perceived as a hindrance. Reports suggest the government is considering a proposal to introduce systematic withdrawal plans (SWP) as a more efficient alternative to annuities.

In mutual funds, a SWP allows the investor to define a fixed sum to be withdrawn from the scheme at regular intervals for a defined period of time or until the amount gets depleted. The amount in the scheme continues to fetch return till it is completely withdrawn. All retirement oriented products launched by mutual funds offer the SWP facility. Experts say this benefit should be extended to NPS subscribers. Subscribers should be allowed to hold on to the NPS even after the retirement (currently allowed until age 70) and then permit SWPs. This will allow subscribers the freedom to pull out money in a staggered manner as per their needs rather than being locked on to interest rates offered by an insurer. At the same time, it will prevent them from squandering the corpus. Investors may also be able to limit tax incidence under the SWP, as tax may only be levied on the interest component.

(The writer is Sanket Dhanorkar.)

Source

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PF benefits should be extended to contractual employees, rules Supreme Court – The Hindu – 20th January 2020

The benefits of the provident fund should be extended to contractual employees, the Supreme Court has held in a recent judgment.

A Bench of Justices U.U. Lalit and Indu Malhotra has held that employees who draw wages or salaries directly or indirectly from a company are entitled to provident fund benefits under the Employees Provident Fund (EPF) Act.

The judgment came on the basis of a petition filed by M/s Pawan Hans Limited, a government company which provides helicopter support services to the oil sector for its offshore exploration operations, services in remote and hilly areas, and charter services for the promotion of tourism.

Company Vs. union

The company had filed the petition against its employees' union, the Aviation Karamcharis Sanghatana, which sought uniformity in service conditions among employees.

Of a total workforce of 840 employees, the company had engaged 570 employees on regular basis, while 270 employees were engaged on "contractual" basis.

The company implemented the PF Trust Regulations only with respect to the regular employees, even though the term "employee" had been defined to include "any person" employed "directly or indirectly" under the PF Trust Regulations.

The contractual employees have been seeking parity with the regular employees, who are covered under the Pawan Hans Employees Provident Fund Trust Regulations.

'Uniform service conditions'

"We find that the members of the union, and all other similarly situated contractual employees, are entitled to the benefit of provident fund under the PF Trust Regulations or the EPF Act. Since the PF Trust Regulations are in force and are applicable to all employees of the company, it would be preferable to direct that the members of the union and other similarly situated contractual employees are granted the benefit of provident fund under the PF Trust Regulations so that there is uniformity in the service conditions of all the employees of the Company, " Justice Malhotra, who wrote the judgment, ordered.

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Source

Should you invest in NPS just to get additional tax benefit? – Mint – 19th January 2020

If you choose to invest in the National Pension System (NPS), you will be eligible to get tax deduction benefit up to ₹2 lakh— ₹1.5 lakh under Section 80C of the Income-tax Act, 1961 (if that's your only investment under that basket) and an additional and exclusive benefit of ₹50,000 under Section 80CCD (1B) (for investment in tier-1 NPS account). But should you restrict yourself to investing only ₹50,000 to avail of the exclusive deduction or invest more than what offers you a tax benefit under any Section? Ashwini Kumar Sharma asks experts if NPS is an attractive retirement tool.

Saurav Basu, Head, Wealth Management, Tata Capital
Salaried people can go for a combination of NPS and EPF
NPS is a retirement-specific vehicle wherein 60% of the amount received on maturity is % tax-free and 40% has to be mandatorily deployed in an annuity product. One can reap advantages like immediate tax benefits and higher return potential with low expense ratio and make use of the auto-choice option to select life-cycle funds (as per individual's age and risk appetite). An investor can also select his preferred pension fund manager for annuity investments. In Voluntary Pension Fund (VPF), one may not get additional ₹50,000 tax deduction, but the amount received on maturity from a VPF along with the interest accumulated is fully tax-free.

If the goal is to get an additional immediate tax benefit and accumulate a higher corpus solely for retirement, NPS plus Employees' Provident Fund (EPF) for a salaried person is a good option. A person who is looking to invest for retirement and has already exhausted the additional limit in NPS can consider mutual funds or solution-oriented retirement mutual fund schemes.

Varun Girilal, Co-founder and executive director, Mitraz Investment Advisors
Long lock-in, compulsory annuity are big negatives
I would not recommend NPS for investors below the age of 45 years. Those above 45 years could consider NPS only if they are fine with locking in their capital for 15 years and have more than ample liquidity outside this product. Investing for more than the ₹50,000 additional benefit (under Section 80CCD (1B)) would result in a large amount of capital getting locked in, which is not recommended.

The fact that your funds are locked in till the age of 60 and that you have to compulsorily allocate 40% to an annuity plan, income from which will be fully taxable at the marginal tax slab rate, is a big negative. We often get pushed into tax-saving investments with long lock-ins without thinking about the long-term implications.

Limited options and investment strategies are other downsides. Many people today aim to achieve financial independence and retire by 45, and often look to withdraw some of their savings to invest into business ventures. NPS will rob you of this flexibility and the option to allocate it to more efficient products.

Joseph Thomas, Head of research, Emkay Wealth Management
NPS gives equity benefit but ELSS better in that space
Tax planning investment is something that should be initiated at the beginning of the year. NPS is a well-regulated scheme, and it offers the flexibility on the frequency of payments into the NPS account—from monthly to quarterly to half-yearly.

NPS's benefit of equity exposure in addition to fixed income helps the corpus to grow relatively faster in the run-up to retirement. Also, the corpus is managed by professional fund managers.

NPS qualifies for the normal tax-saving space available under Section 80C of ₹1.5 lakh, and an additional ₹50,000 under Section 80CCD (1B), which is exclusively for NPS. It is one of the worthwhile options for investors to build a retirement corpus.

Whether or not one should restrict himself to investing ₹50,000 depends on personal choice. If a person is looking for a higher retirement corpus, then he may look at a more contribution in the last 10 years of his service. However, investing in equity-linked savings scheme also makes a lot of sense as they may give more efficient returns.

Rahul Jain, Head, Edelweiss Personal Wealth Advisory
It can help people under 40 years build large corpus
An individual between 25 and 40 years may consider investing more than ₹50,000 in NPS as it will ultimately help in building a significant retirement corpus. Retirement is a long-term goal, which people often procrastinate.

It's crucial to consider your risk appetite and flexibility in terms of asset allocation, lock-in period and periodic withdrawals. The distinct advantages of NPS are its choice of investment and tax benefits it offers. Also, the charges in this product are on the lower side as compared to other instruments.

With the age of pre-defined pension benefit all but over, it's essential to generate income in the form of pension when you retire. As per estimates, by 2050, 20% of the Indian population will be above 60 years of age, with 61.7% of the elderly population without any income security. Depending on your needs and post-retirement expenses, you can invest accordingly. So, start retirement planning as early as possible to grow your money and gain from the power of compounding.

(The writer is Ashwini Kumar Sharma.)

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GLOBAL NEWS

Thailand: Regulator to help insurers deal with low interest-rate environment – Asia Insurance Review

The insurance regulator, the Office of Insurance Commission (OIC), is engaged in a consultation exercise aimed at obtaining views from stakeholders on proposals that would increase the competitiveness of Thailand's insurance industry and help it respond to national and global economic conditions.

According to local media reports, Dr Suthiphon Thaveechaiyagarn, OIC *secretary general, said that* the proposals concern four main issues:

Insurers shall be allowed to increase the proportion of foreign investments in their portfolios.

1. The declining interest rate situation in the country has affected the investment returns of insurers and the benefits they in turn can pay to policyholders.

Raising the proportion of investments in foreign markets would help insurers diversify risks, reduce concentration in domestic investments and offer more investment avenues to insurance companies. The move could also help insurers resolve asset-liability management problems, especially life insurance companies that have long-term insurance obligations.

To minimise capital outflow, the OIC has restricted the amount of foreign investments to an appropriate level, both in terms of country exposure as well as exposure to each type of assets. In addition, risk management measures have been set out, such as maintenance of risk-based capita (RBC), enterprise risk management (ERM) and risk assessment.

2. Insurers shall be allowed to increase the proportion and types of investments in real estate and infrastructure, including infrastructure fund certificates and REITs.

3. Insurers shall be allowed to hold equity in ventures established to operate healthcare facilities in Thailand Including businesses related to eldercare and long term care in Thailand, to support the ageing society.

4. Insurers shall be allowed to hold equity in an insurance technology-related businesses, to support and upgrade the insurance industry.

The OIC has held meetings with insurers' associations on these issues, as part of its consultation exercise.

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Source

Australia: Women worry more than men about outliving savings in retirement - Asia Insurance Review

Women in Australia worry more than men about retirement, the latest National Seniors Social Survey has found. An in-depth analysis found that the degree of worry about retirement income was 47% higher in women than in men.

While a majority of men reported not being worried, women were more likely to report that they "worry frequently" than men.

The survey report says that there are a number of reasons why women might worry about outliving their savings more than men overall. Based on data from the survey, the reasons include:

Longer life expectancy of women

Australian Life Tables indicate that, at age 65, on average, men will live another 19.7 years to an age of 84.7 years and women, another 22.3 years, to age 87.3 years.

So women, on average, live three years longer than men after retirement ages, but the superannuation system does not cater for gender differences in longevity.

The basic age pension and defined benefit schemes provide continuous indexed income for life, but superannuation funds do not.

Gender inequality in lifetime earnings and savings potential

That women worry more than men in retirement is unsurprising given historical disparities in earnings and working patterns disadvantage women and their potential to accumulate wealth over their lifetimes.

Women, who are more likely to have retirement savings values less than A$500,000 ($343,000)—69% of women compared to 53% of men—will tend to be worried about outliving their savings. Women were also more likely than men to be relying on the age pension as their main source of income in retirement—35% of women compared to 25% of men—a further justification for worry. Lastly, women were much more likely than men to indicate ‘rather not say’ and ‘don’t know’.

Gender role expectations, particularly related to caring

Women have disproportionately filled career roles in society: either as mothers and grandmothers caring for small children or as careers for elderly parents and grandparents and partners in older age. This has resulted in a double burden for women in terms of saving for retirement, where unpaid labour has limited or prevented wealth accumulation.

This inequality persists in the retirement years, indicated by the relatively high employment growth for older women who are unable to retire on their current savings. Conversely, they might be unable to continue working and save adequately, due to the caring requirements of those around them.

Partnered women may also have reasonable expectations of outliving their spouses and/or depleting their savings through financing their partner’s care before they come to need aged care services themselves.

Age and marital status of the survey sample

The underlying demographic structure of the participant sample for the 2019 National Seniors Social Survey indicates why worrying about outliving savings might be associated with gender. The participants most represented in the sample were partnered men, followed by unpartnered women, then partnered women, then unpartnered men.

The survey also found that worry about outliving savings does seem to decrease with increasing age, for both women and men. People do ‘cut their coat to fit the cloth’ and adjust to restricted funds.

In terms of partner status, in retirement, a higher proportion of men are married, either in the traditional sense or as a de facto couple. In the survey, 79% of men were married, but only 46% of women. Part of the gap is the number of widows who have not remarried.

It is telling that 23% of females reported widowed as their marital status, compared to only 7% of males. Ages at marriage and different life expectancies play some part in this difference. More women also chose “divorced/separated” for their marital status, 17% compared to 6% for men.

Married retirees were less likely to worry than either divorced or widowed retirees of either gender. This could be related to a more positive frame of mind for married couples and the security of joint assets, but married women were still more likely to worry (58%) than married men (46%).

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Major Japanese life insurer to sell short-term life products online - Asia Insurance Review

Dai-ichi Life Insurance has announced that it will launch low-cost and short-term life insurance products exclusively for online customers by September, reported Jiji Press. This digital insurance service will enable users to sign contracts, file claims and complete all other necessary procedures on the internet.

The life insurer said that its upcoming short-term life insurance policies with lower premiums will be targeted at the younger generation who have a variety of protection needs.

According to international professional services firm EY in its '2020 Japan Insurance Outlook' report, younger consumers (millennials and Generation Z) of life insurers in Japan are said to be migrating to new sales channels.

These customers therefore need to be identified and approached with more enticing products. At the same time, 'human plus digital' channels should play in the market, said the report.

While nearly 90% of Japanese households carry life insurance policies, the volume of in-force policies has dropped swiftly since reaching a peak of JPY1.5tn ($13.7bn) in 1996. One reason for the drop is that the workforce population hit its peak in 1997 and has been declining ever since.

Dai-Ichi Life had actually reported lower core profit for the six months ended September 2019 driven in part by premium rate revisions following the update of the standard mortality table in April 2018.

The other three major players in the life industry faced the same predicament in the face of an ageing population, low birth-rate and persistent low interest rates.

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Source

Indonesia: Govt works on regulations to set up state-owned insurance holding company - Asia Insurance Review

The Ministry of State-Owned Enterprises (BUMN) has said that the government is currently drafting regulations to govern the establishment of an insurance holding company in the state-owned sector.

BUMN deputy minister Mr Kartika Wirjoatmodjo said that the process of forming an insurance holding company was targeted to be completed as soon as possible, according to local media reports.

He said that several state owned insurance companies will become members of the group including AsuransiKredit Indonesia or Askrindo, JasaRaharja, and AsuransiJasa Indonesia or Jasindo.

Previously, SOE Minister Erick Thohir stated that the establishment of an insurance holding company would be one of the government's steps to improve the health of the financially stricken Asuransi Jiwasraya. From the holding company, the targeted cash flow for Jiwasraya is expected to reach IDR1.5tn ($110m)to IDR2tn per year.

Jiwasraya has a liquidity problem because of mismanaged investments, that have rendered the insurer unable to pay compensation or benefits. It owed at least IDR12.4tn to policyholders at the end of last year and the amount could increase to IDR16.1tn this year.

Jiwasraya newly appointed president director Hexana Tri Sasongko said the company would settle customer claims in instalments.

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Source

Australia: Survey finds high levels of worry about adequacy of retirement income - Asia Insurance Review

Two-thirds of Australian retirees who have been out of the workforce for five years expect they'll spend their savings over the next 20 years, the latest National Seniors Social Survey has found.

The report, released by National Seniors Australia and wealth group Challenger, focuses on the worry of people aged 50+ for whom retirement income worries become lived realities.

An in-depth analysis across all respondents also found that the degree of worry about retirement income was:

- 68% higher in those not already retired – previous work has indicated that people adjust to their actual circumstances in retirement, whether they planned for them or not.
- 65% higher in those who have less than A$500,000 ($344,000) in savings – this is as expected, since they may not have the money to pay for a 'comfortable' retirement.
- 53% higher in those who expect their main source of income in retirement to be the age pension – this is expected because it is a minimum basic income with accompanying worry about 'making do', and
- 47% higher in women – this is after taking out the effects one or more of the previous three factors and may be associated, in part, with expecting greater involvement in caring roles and a real risk of outliving their partners.

One way of dealing with worry is through accessible financial advice. 74% had sought financial advice and three out of five of those received advice in the last 12 months. People were less likely to worry frequently if they had sought financial advice and when they thought the advice met their needs.

The report says that there is an urgent need to deal with the high levels of worry about retirement income when this may be unnecessary since the Australian system is well regarded around the world.

Potential solutions are more accessible and clear advice, as well as improvements in financial literacy. Some financial issues cannot be easily fixed in later life, and need to be attended to along the life journeys.

Every year, National Seniors Australia conducts an online survey of member behaviour and views across a range of topics relevant to older people's lifestyle, health and wellbeing. The latest survey, conducted last year, was open to members and non-members 50 years and over from all states and territories.

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