Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"Have the dogged determination to follow through to achieve your goal, regardless of circumstances or whatever other people say, think, or do."

– Paul Meyer

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Life Insurance

Why most Indians end up buying insurance the wrong way – The Economic Times – 8th May, 2017

Insurance should be the first step of every saver. You should get insured before you think of doing anything else financially. However, to do this correctly you will have to understand what insurance really is and how much you actually need.

Here's the dictionary definition of insurance: an arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium. For life insurance, we can simplify this to: an arrangement by which a company will compensate your survivors if you die, in return for payment of a specified premium. This is the only definition of insurance. Keep in mind that much of what insurance agents try to sell you is not insurance.

How much should you be insured for? There are a variety of ways to arrive upon the answer, but a starting point could be ten years worth of your current income. This will obviously vary according to other family members' income, assets, house etc, but rarely would an amount less than ten years' income suffice. If you don't believe me, quickly make a rough estimate of what your family's budget would be if you were to die soon.

So here's the most important question: Do you have enough insurance? The answer is no. And how do I know that? Because that's the correct answer for a vast majority of Indians and so statistically speaking, this is likely to be your answer too. The strange thing is, in my experience, a lot of people know how much premium they pay to insurance companies, but do not know what their family will get if they were to drop dead. Actually, it's not strange because the life insurance business is optimised around taking money and indeed, measures its success not by how much its customers are insured for, but how much money the customers pay. It does so by ensuring that a vast majority of products are not insurance but expensive and opaque investment products that have a small smattering of real insurance as a statutory requirement.

By the way, this is official. The insurance regulator (IRDA) also measures success by how much money the industry takes from customers, rather than how much insurance they have delivered and to how many people. The IRDA annual report, or any other published data in this country does not reveal the actual extent to which people are insured. IRDA uses something called 'insurance density', which is the per capita premium charged from customers and as well as the premium as ratio of GDP.

These numbers do not tell us how much insurance cover is delivered, only how much money the industry has extracted from people. The real questions are: When a customer dies, how much money does his family get? How many customers have what amount of this cover? What is the ratio of the total premium collected to the cover provided? Shockingly, this information either doesn't exist (meaning IRDA has not bothered to collate it), or it's a secret.

This attitude is perfectly reflected in the behaviour of whoever sells you insurance. However, the various ways in which agents will try and befuddle you is too long a story. You should just focus on getting ten years' income worth of insurance. If you do this, you will get only the right kind of insurance product which is a term insurance.

The reason for that is that in other kind of insurance products, getting ten years worth of life cover will cost you your entire income.

The basic principle of buying insurance is to keep insurance and investment separate and buy only pure insurance (term insurance). In India, insurance sellers have encouraged an investing culture where people are averse to buying term insurance because 'you get back nothing'. Agents do this because they earn far higher commissions in other kinds of products. It's not possible to be charitable while commenting honestly about this existing system so I won't even try: this system exists because the regulator is asleep, agents are conniving and manipulative and customers are foolish. The system won't change, so it's up to you to learn how to actually buy insurance.

Source

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Porting life insurance: Here's why this will be tough to achieve – The Financial Express – 10th May, 2017

Portability has been, for a very long time, the textbook solution to generating competition in areas of natural monopoly such as electricity. So, in a situation where a consumer buys electricity from firm A which also owns the wires going into her house, the consumer can 'port' to firm B which will pay A for using its wires to deliver the electricity—the charge for using the wires is determined by the electricity regulator. In the case of mobile phones, there are no wires, but this portability is assured by allowing a customer to retain the same phone number while moving from one service provider to another. In the case of life insurance policies, according to a news report in Mint, the regulator is looking at introducing portability—it was done for health insurance in 2011—to improve the quality of service. Right now, consumers are free to terminate old policies and buy new ones from different insurance companies—there are 24 of them—but the 'surrender charge' can be as high as 70% of the premium paid. Also, depending on how old the insured are, buying a new policy can also increase the age-premium—if a 38-year old terminates a policy with firm A after three years to buy a policy from firm B, she will have to pay a higher premium since the rate rises above the age of 40.

That consumers will want to change insurers is obvious given that, in FY16, 12 of the 24 firms selling life insurance had a claims ratio of less than 90%. And among those with a claims ratio of over 90%, half the claims were pending for over a year—in the case of LIC which has a claims ratio of over 98%, a fourth of claims had been pending for more than a year. Since each insurance company has a different model for insuring people, porting will not be very easy even after there is a central repository that has all the details of each customer. While it is possible to leave the porting charge to be decided bilaterally between insurance firms, if the rates are very high, no porting will take place. A very low rate, on the other hand, could hurt an insurer if the most unhealthy tend to port to it. To make it work, the regulator will have to come up with a porting charge after studying the claims ratios and models of all companies. If, despite this, firms are willing to port at even lower rates, so much the better—the regulator, however, has to set the maximum charge.

Source

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Is e-buying suitable for every insurance policy? Find out – The Economic Times – 10th May, 2017

The Indian consumer has been buying insurance through the "friendly neighbourhood agent" for over five decades. Till date, this route remains the most preferred one with seven out of 10 Indian households preferring to buy insurance policies through agents, as per a recent report by sector regulator Irda. On the other hand, the number of agents have been declining. LIC agents, who have been at the forefront of the insurance sales push, have come down from 26 lakh in FY12 to 21 lakh in FY17. Does that mean you should look to buy insurance online? Read on.

While buying insurance online is convenient, faster, and cost-effective, this route is not suitable for every insurance policy, say experts. Only plain vanilla products that are simple to understand, such as a term plan, can be bought online. For products that are complex, such as health insurance, it can be a challenge. "Considering the various cappings and exclusions, it is not every easy to understand health insurance policy and buy it online," says Harshavardhan Bhusari, certified financial planner, FinPals.

Gunjan Ghai, national headbranding & marketing at SBI General Insurance agrees: "In health insurance, the product differentiation and perceived risk in decision making is high and it can impact one's treatment at the time of a crisis. In such cases, an advised sale through agent is recommended." Products that have lower perceived risk such as travel insurance can also be bought online.

But before you shop online, you need to understand the policy features well and get the quantum of your cover right . Since there is no one to guide you online, you may end up buying wrong products that do not suit your needs. "In the case of online purchase, there is limited support for query resolution. Whereas in the case of agent mode, all queries can be resolved immediately by human intervention," says Suresh Agarwal, chief distribution officer, Kotak Life Insurance. Note, the support on claims and settlements is crucial, which is better in case of agent mode. For online purchases, term plans are the best choice as they are simple to understand and come very cheap.

For general insurance products, the discount is usually up to 10%. For one, SBI General offers travel insurance (business and holiday) for Rs 646 when bought offline vs Rs 581 when bought online -- a discount of about 11%. This is for a coverage of $1 lakh for a single trip of seven days by a 40-year-old individual.

The discount percentage is same across health, motor and home insurance for online purchases. Also, there is no difference in features of the product whether bought online or offline.

However, the cost should not be the deciding factor, say experts. "On a long-term span, the price differential should go off considering the cost incurred to bring the customer to insurer's website for online purchase," says Ghai. Sanjay Datta, Chief -Underwriting & Claims, ICICI Lombard General Insurance Company concurs: "Cost is not the main driver for online purchases. The two key drivers are convenience and distribution of low cost products."

Source

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General Insurance

Yuppies take to insuring items of monetary, sentimental value – The Times of India – 7th May, 2017

Insurance of collectible items like rare artworks, antique jewellery, hand-held gadgets and designer clothes is fast catching up in the city.

Baner resident Nandita Mohan, an interior designer, was concerned about her movable assets at her home when she learned about the damages her friend's artwork collection suffered during the Chennai floods in 2015.

She immediately sought the help of her financial advisor, who suggested that she insured all the items having monetary as well as emotional value. Acting on the advice, Mohan promptly insured everything — from paintings by Amrita Shergill, sculptures in her drawing room to her husband's watch collection.

"We are avid travellers and like to pick up collectibles from different places. Owing to our long absence from home, there is always the fear of burglaries or outbreak of fire. Now, at least we are monetarily covered," she said.

With the rich in the city demonstrating an inclination for acquiring art and other collectibles, they are getting conscious about the need for insuring them, R. Suresh Nair, head of product development at Bajaj Allianz General Insurance Co. Ltd, said. "This trend is seen not only among the wealthier sections but also among youngsters and the double-income families," he said.

Among other collectibles, the company has received requests for insuring an entire wardrobe containing luxury clothing items, expensive sets of shoes, among others. Also, they have insured items like spoons, linens, expensive cutlery and even pets.

As is the case with Wardhaman Jain, a 32-year-old finance professional working for an MNC in Pune, who has not only insured his gadgets but also other valuable possessions, including his Omega Speedmaster watch, a Dior jacket and a Ralph Lauren briefcase gifted to him by his parents.

An 'agreed value' is arrived at when such a policy is sold, said M. Ravichandran, president (insurance) at Tata AIG General Insurance Company Ltd. "We seek the help from various quarters to arrive at the appropriate valuation of the items being insured," he said.

"Claims are paid even if they have arisen out of negligence unless it is an intentional act," Ravichandran said.

Recently, a customer accidentally dropped his antique watch. Since there were no experts in India, he got it repaired abroad. The insurer settled the claim after the invoice was submitted. Art remains the most popular item which is insured, said Sanjay Datta, chief of underwriting, claims and insurance at ICICI Lombard General

Source

Insurance. "The amount of the annual premium depends on the type and value of the item being insured," he explained.

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Govt-backed farm insurance scheme set to grow – AIR – Asia – 8th May, 2017

The general insurance industry is expecting total premium income from farm insurance to hit INR23,000 crore (US$3.58 billion) during the current financial year ending 31 March 2018, with the government pushing the Pradhan Mantri Fasal Bima Yojana (PMFBY).

This would be a 400% hike in premium from crop insurance of INR5,700 crore during the financial year ended 31 March 2016. Farm insurance premium soared to INR21,500 crore for the fiscal year ended 31 March 2017. The PMFBY was launched in January 2016.

Under PMFBY, premium payments are shared by the farmers and the central and state governments. While PMFBY is made mandatory for loanee farmers (farmers taking crop loan from banks), even non-loanee farmers, including share-croppers, are included under the scheme.

"Our estimates show the premium collected on all India basis would go up to INR23,000 crore during FY2018 and the Fasal Bima would become a major part of the Indian general insurance industry," ICICI Lombard, Executive Director, Alok Agarwal, told Business Standard.

Source

ICICI Lombard has partnered with North East Centre for Technology Application and Research (NECTAR), which uses drones and remote sensing technology for yield estimation by village and by crop.
Crop insurance penetration stood at under 30% at the end of last year. The central government is targeting to cover 50% of all farmers by the PMFBY by 2019.

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Rs 30,000 cover for 3-day hospital stay in road accidents? – The Times of India – 10th May, 2017

Should the state government spare Rs 96 crore to provide a universal accident insurance? This is the question the state finance and planning department is considering before approving an accident insurance scheme that promises treatment of up to Rs 30,000 for three days' hospital stay.

The fact that Maharashtra has among the highest number of road accidents in the country has prompted the government to draw up the scheme. The objective is to cover any road accident victim—whether they are from the state or visitors from other states or even countries. "Victims of any accident that takes place on Maharashtra's roads would be eligible for help," said Dr B S Nagaonkar, assistant director with state health services. "They can be people domiciled in the state or visitors from other states or countries."

A total of 1.9 lakh road accidents took place in Maharashtra over the past three years, killing 38,209 people and injuring 1.2 lakh. Called 'Balasaheb Thackeray Accident Insurance Scheme', it was mooted by health minister Dr Deepak Sawant last year but failed to get cabinet nod as it was stuck in the finance and planning department headed by BJP minister Sudhir Mungantiwar.

"We have sent the proposal to the finance department, which is examining it. It may get implemented within a month or two if it is cleared soon," state additional chief secretary (health) Dr Vijay Satbir Singh told TOI.
The government healthcare machinery will be used to provide accident care. "Using a GPS tracking system, we will first ensure that our 108 ambulance service will carry the victim to the nearest hospital. The hospital will have to provide three-day stay worth up to Rs 30,000," said Dr Nagaonkar.

Source

Karnataka was the first to come up with a policy of 48-hour hospital stay with treatment running up to Rs 25,000.

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Property insurance likely to go up – The Times of India – 11th May, 2017

Insurers are likely to increase their rates on property/fire insurance post-July, after the insurance regulator on Wednesday instructed them to peg new rates to the Insurance Information Bureau's (IIB) revised data.

The regulator also increased the list of risk occupancies from 90 to 109, effective from July 1, 2017.

How does the move affect the industry? Till 2007, rates were fixed when it came to fire and property insurance. The only differentiater an insurer could offer was the service quality as rates fixed. Later, when the industry was de-tarriffed, there was unhealthy, cut-throat competition among insurers as they fought over clients; offering them lower and lower rates as incentives. "Charging lower premiums at some point started affecting the profitability of that line of business and the servicing of claims. Loss ratios increased from around 30% before de-tarrifing to 60-75% in recent years. And in an effort to cut losses IRDAI came out with the first set of regulations in 2015," said an executive from United India Insurance Co.

The regulator then set out guidelines on how much an insurer could charge on fire policies. "IRDAI then instructed the IIB to come with a rate insurers could charge for different occupancies. The way we insure a cinema theatre or rice mill or hospital would be different from how we'd insure a godown which had inflammable goods. For instance, an IT office would have a much lower insurance/fire risk than a manufacturing unit. So IIB put together rates based on occupancy. And now they've revised the rates in 2017, after the 2014 guidelines," said an executive at a private insurer.

The guidelines are to ensure that insurers' do not charge premiums that are lower than prudent.

"What the new guidelines say is that you can take IIB's rates. Or you can make your internal assessment and set your own rate. But your base rate cannot be lower than IIB rate," said the executive.

The assumption is that the base rate, plus the cost of acquiring the new business, management expenses — which is the "burning cost" should be proportional to the premium so that the company does not make losses.

"The idea being that with the new burning cost calculated, you cannot make losses. Of course fire as a line of business does not make as high losses as health and other portfolios; but it still is better to be prudent," said the executive.

Another guideline the IRDAI has issued is with regard to IIB data on burning costs does not include natural catastrophes such as strong typhoons, flood, inundation (STFI) risks and earthquake. The regulator has instructed insurers to use their own judgement for pricing add-on covers, apart from FLEXA risks (fire, lightning, explosion, aircraft (insurance).

Source

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'Insurance be considered as proof of BS-III 2-wheelers sale' – The Pioneer – 11th May, 2017

The Delhi High Court has told the city's transport department that while verifying date of sale of BS-III two-wheelers prior to registration, it should take into account the dates of online payment of insurance premium or issuance of insurance certificate.

The direction comes as a relief for the dealers who had sold BS-III two-wheelers before March 31, the deadline set by the Supreme Court for sale and registration of such vehicles, but were not able to get them registered as the department was not accepting documents after the date set by the apex court. However, the direction would be applicable to only the 'non-self registering dealers', who cannot make online payment of sales tax, the high court has clarified. Several such dealers had moved the high court saying the department was not considering the documents for registration and claimed that they have made the sale before the deadline. Around 1000 BS-III fuel two-wheelers and commercial vehicles were awaiting registration.

Justice Sanjeev Sachdeva, before whom the plea was listed, asked the department to register the BS-III vehicles as per the the apex court's orders provided that the dealers gave requisite proof that the sale was made before March 31. The court told the department that while verifying the factum of sale, it 'may take into account the online proof of payment of insurance premium or issuance of policy prior to the date of March 31, 2017'.

It also said if the above two conditions are not met, then the motor licensing officer, who would verify the date of sale, cannot merely rely on the sale invoice provided by the dealer but would have to consider the tax payment receipts issued by statutory or regulatory bodies. The court also said the petitioner-dealers be allowed to present their vehicles for physical inspection till May 15. These directions, however, would be applicable on case-to -case basis and only to 'non-self registering dealers', the court clarified in its order.The order was based on the recommendations of the Environment Pollution (Prevention and Control) Authority (EPCA) whose view was sought by the transport department as it was not sure how to verify date of sale of vehicles which were purportedly sold on or before March 31. The EPCA made a distinction between non-self

Source

registering and self registering dealers while laying down guidelines for registration of BS-III vehicles sold on or before March 31.

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Cover for road travel set to expand insurance market – Financial Chronicle – 12th May, 2017

Travel insurance is poised to see significant expansion in India. Insurance players are coming out with policies that cover not just air and rail travel but road transport as well. The policies are also priced affordably. The companies are working on new distribution channels to reach out to customers.

Travel insurance penetration in India is just four to five per cent, which, the industry believes, can go up to 70 to 80 per cent once road transport is covered.

As of now, air travel accounts for 85 per cent of the travel insurance sold in the market. With IRCTC selling the policies along with the e-tickets, insurance penetration in rail travel has increased. However, this cover is not available for those booking tickets at the counters.

Air and rail travel are occasional, while travel by road is a daily feature. Adding road transport into the ambit of insurance will help the market grow manifold.

Some insurance companies have recently introduced travel products, sold to state transport corporations to cover the state-run buses. Bajaj Allianz has come out with a retail product that covers a person 365 days a year by all modes of transport. Tata AIG's Domestic Travel Guard Policy covers travel within India.

Says T T A Ramalingam, chief distribution officer and head of travel insurance, Bajaj llianz General Insurance: "Our policy covers public modes of transport such as buses, taxis, trains, flights and cab services provided by e-commerce aggregators (Ola, Uber, etc.) as well as personal vehicles such as car, bike and even bicycle. The plan also offers flexibility to manage the duration of insurance cover as per their travel itinerary. Customers' can avail of the plan for a single trip or for single/multiple days. For travellers practically living out of their bags, the policy offers an annual plan covering all modes of transport."

While most of the earlier products offered just personal accident cover during the course of the travel, the new policies are offering several add-ons. Tata AIG's Travel Guard and Bajaj Allianz' Bharat Brahman covers hospitalisation expenses for injury, transportation of mortal remains, emergency hotel extension, compassionate visit by family member and loss of ticket. Bajaj Allianz' new product covers loss of baggage, burglary at home during travel, trip cancellation, trip delay and adventure sports travels too.

The policies are priced affordably. For a sum-assured of Rs 50,000, a one-day basic travel cover costs Re 1; Rs 10 for up to 10 days and Rs 117 for a year. With all the add-ons it goes up to Rs 3, Rs 173 and Rs 2,078, respectively.

Insurance companies are exploring newer ways to reaching out to the customer. Generally travel insurance for overseas trips is sold by the travel agents and travel service providers and IRCTC sells rail travel insurance.

Source

"We are in talks with travel service providers to cover the holiday travel. We will be exploring tie-ups with private bus operators and taxi aggregators like Uber and Ola, who can make insurance a built-in service in their app. A retail customer can buy it from our website and we are also exploring tie-ups with personal automobile service providers who can offer it to the customers along with the routine service bill," said Ramalingam.

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Health Insurance

Health scheme for poor misses its mark: Study – The Times of India – 12th May, 2017

The state's insurance-linked healthcare scheme has not been able to fulfill its main objectives of reducing patients' "out of pocket" expenses or improve healthcare access in rural areas.

This is the finding of a revi ew done by the Centre For Enquiry into Health and Allied Themes (CEHAT) of the Mahatma Jyotiba Phule Jeevandayee Arogya Yojana (MJPJAY), until April 1 called the Rajiv Gandhi Arogya Yojana. Families with an annual income of less than Rs 1 lakh are eligible for the scheme.

"Of 473 hospitals empanelled in 2014, 84% belonged to the private sector," said the CEHAT study, made public on Tuesday. It found 44% of the private hospitals are in six urban centres. "Only 12% of empanelled hospitals are found in the least urbanized districts," said Sangeeta Rege of CEHAT. Dr Ravi Duggal of International Budget Partnership said, "The state has chosen to take an insurance path to provide healthcare access. It could have chosen to have a corpus of funds, like Karnataka has done." He said Maharashtra pays a premium of Rs 800 crore per year to an insurance company. "Less than half is used in providing care. So why can't state utilise the premium sum in improving hospital network," he asked. The study found specialties such as radiation oncology are absent in private network hospitals in tribal and least urbanized districts. Plus, "most grievances are about out of pocket expenses," it stated.

Source

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Regulations

IRDAI to review reinsurance norms – The Hindu – 8th May, 2017

The reinsurance norms are likely to be revised soon. The Insurance Regulatory and Development Authority of India (IRDAI) has appointed a committee to review the existing regulatory framework.

The 17-member committee, chaired by M Ramaprasad, a former member of IRDAI, will submit its report by August 2017.

It will study international regulatory frameworks and practices relating to reinsurance pools, Alternative Risk Transfer (ART) and such other mechanisms and make appropriate recommendations.

"In addition, it will look into the existing guidelines for SEZs and make necessary recommendations in the context of various reinsurance activities," PJ Joseph, Member-Non-Life, IRDAI, said in a notification

The Authority, in the recent past, has notified various regulations, guidelines and circulars pertaining to reinsurance business.

Source

The enactment of the Insurance Laws (Amendment) Act, 2015 has brought about changes in the reinsurance market by facilitating the entry of foreign reinsurance branches. Lloyd's, for instance, has set up an India branch.

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India: Regulator could revolutionize life insurance by making policies portable – AIR – Asia – 9th May, 2017

IRDAI, in what could be a major game changing move, is considering allowing portability of life insurance policies so that policyholders can switch from one insurer to another without surrendering their existing policies nor losing a portion of the premium paid to date.

This was reported by the economic daily Mint in a story quoting three people including a regulatory official on condition of anonymity.

IRDAI's discussions are in early stages, and portability is likely to happen after digitalisation of the industry is complete.

By allowing portability, IRDAI aims to save customers the cost of surrenders when switching insurers if they are dissatisfied with their existing insurer. The regulator has already allowed portability in health insurance policies since 2011.

Portability can of course make life easier for policyholders in terms of services and costs and can check mis-selling.

Under present rules, such a transfer is not allowed. If a policyholder wishes to discontinue his existing policy before it reaches maturity, he has to pay a "surrender charge", which can be as much as 70% of premiums paid till date.

Challenges

Can a long-term contract like life insurance be made portable? Even if it is, it could be a great challenge for the life insurance players to implement it in letter and spirit.

Maybe pure life risk policies can be made portable for continuity only. In such policies, there should be a way to earmark a portion of earned premium if no claim has been admitted and the aggregated amount should also be ported to the new insurer.

Life insurance policy portability will need changes in underwriting policies for insurers, standardisation of prices, mortality and morbidity rates used by different insurers and mandatory electronic issuance.

IRDAI is already in the process of mandating issuance of life insurance policies in a digital format beyond a certain threshold premium.

Of course, for one insurer, taking over the liability of another insurer for a customer is not easy since the basic style of underwriting varies. An important underlying factor for portability is the presence of a central repository. Though repositories are in operation, their businesses are at a very nascent stage right now. Maybe an insurance repository needs to be developed which would be a single point contact to provide details of all policy holders at a single point.

Source

Once the information about a customer is made centrally accessible through a repository, either for the continuation or surrender of a policy, the terms and charges for switching from one insurer to another can be mutually decided by the two concerned insurers, depending on the period for which the customer has already paid his premium.

There has been no official confirmation or denial of the story by IRDAI as yet. However, according to sources, the regulator has denied that any such discussions have taken place.

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IRDA issues new outsourcing guidelines for insurers – The Hindu – 7th May, 2017

The sectoral watchdog IRDAI has issued new guidelines on outsourcing activities by insurers by clearly defining the areas of work that should be done in-house and those which can be handed out to third-parties.

The regulator said the regulations dated April 20 but put on the Gazettee of India on May 5, is aimed at ensuring that insurers follow prudent practises on management of risks arising out of outsourcing so as to prevent negative systemic impact on one hand and to protect the interests of the policyholders on the other.

The move is also to ensure sound and responsive management practises for effective oversight and adequate due diligence while outsourcing activities by insurers, it added.

Accordingly, the new regulations ban insurers from outsourcing investments and related functions to third parties, apart from not allowing fund management, including NAV calculations; compliance with AML and product design.

Insurers are also expected to do all actuarial functions and enterprise-wide risk management in house, apart from decision making on underwriting and claims functions excluding procedural activities related to payment of survival benefit claims in life insurance; policyholders grievances redressal; decision to appoint insurance agents, surveyors; loss assessors and finally approving advertisements.

IRDAI said the new regulations called 'Outsourcing of activities by insurers Regulations of 2017, will come into force from the date of their publication in the Official Gazette and supersede the guidelines issued earlier.

However, these norms are not applicable to re-insurers but are applicable to all insurers registered with the Insurance Regulatory and Development Authority. If an insurer is engaged in both direct insurance as well as reinsurance business, these regulations are applicable only in respect of direct insurance business of such insurers, it added.

It defines 'outsourcing' as use of third-party services to perform activities that would normally be undertaken by the insurer but does not include services such as legal services, banking services, courier services, medical examination, and forensic analysis.

Source

The new regulations also make it mandatory on the board of the insurer put in place an outsourcing policy and also set up an outsourcing committee comprising key management persons of the insurer, including the chief risk officer, chief financial officer and chief of operations.

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New rules give insurance web aggregators a boost – Mint - 10th May, 2017

Insurance Regulatory and Development Authority of India (Irdai), in a gazette notification dated 13 April, laid down the rules for insurance web aggregators: Irdai (Insurance Web Aggregators) Regulations, 2017. According to the aggregators we spoke to, these regulations do not cause any major disruption, as they mainly aim to tackle the ambiguities.

However, three changes to the rules are noteworthy. First, the rules now allow all kinds of insurance products to be sold on the web aggregators' portals. Earlier, unit linked insurance plans (Ulips) were not allowed. Two, the ticket size of the policies that can be sold here has been increased from Rs50,000 to Rs1.5 lakh, giving a fillip to bundled life insurance policies. Three, the rules now allow remuneration even on zero-commission policies, such as the online term plans, through rewards.

But before we get into the details of these changes, let's start by understanding the role of a web aggregator.

What is a web aggregator?

Classified as insurance intermediaries, web aggregators are portals that help you compare and buy insurance products. They further improve the purchase experience by either directing you to the insurer's website or helping you through the sale process.

The primary role of these portals is to enable comparison. In that sense, they provide a listing of products and showcase comparison on parameters such as: eligibility criteria, sum assured and premiums. As per the rules, web aggregators need to display product pricing that is inclusive of all taxes. Further, the rules prohibit web aggregators from displaying ratings, rankings, endorsements or 'bestselling' insurance products. They are also to refrain from commenting on insurers or their products at any location in their websites.

Web aggregators have played an important role in boosting the online market for several products, such as term plans. "Comparison is essential for the customers and we have seen in the case of online products, such as the term plans, that over 90% of the customers compare and buy them through web aggregators," said Deepak Yohannan, founder and chief executive officer, Myinsuranceclub.com.

More products on display

And now, with the changes to the rules, one can expect that Ulips, too, would get a boost online. A few insurers already have Ulips online. "Investment products have not been popular with web aggregators because the regulations prohibited us from selling Ulips; and the traditional investment products are complex, making them unsuitable for online sale. But now we will be able to sell Ulips and given that Ulips are becoming popular once again, this is a welcome move," said Naval Goel, founder and chief executive officer, PolicyX.com.

What will further help aggregators is the hike in premium ceilings. Currently, web aggregators are not allowed to solicit insurance policies where annual premiums exceed Rs50,000. As per the new regulations, the new limit is Rs1.5 lakh. Remember that life insurance policies qualify for a tax deduction of up to Rs1.5 lakh under section 80C of the Income-tax Act, 1961. "The earlier limit of Rs50,000 was very low but now the entire tax limit is covered. So, all investment products up to the full tax limit will be available through the web aggregators," said Yashish Dahiya, chief executive officer and co-founder, Policybazaar.com.

Changes in remuneration

Apart from more products to sell, the regulations also bring good news for web aggregators on the issue of remuneration.

First, in the non-life space—regarding general insurance products such as health insurance, motor insurance and home insurance policies—it has now been clarified that web aggregators are entitled to renewal commissions as well.

However, for life insurance policies, they are still not allowed the renewal commissions as they are long-term contracts. So, when they sell a life insurance policy, web aggregators are entitled to first-year commission only—remember that commissions in life insurance are front loaded. "General insurance products are annual contracts and every time the policy is renewed, there is a new policy number assigned to the policyholder. This means that web aggregators are entitled to renewal commissions, but it was a huge grey area and many insurers interpreted the rules differently," said Alok Bhatnagar, co-founder and chief executive officer, EasyPolicy.com.

In the life insurance space, the rules now even allow for zero commissions products remuneration, in the form of rewards. As per the new rules on commissions, which were announced in December last year, insurers can pay extra—over and above commissions—to distributors through rewards. The reward, however, is capped at 20% of first-year commission and is for intermediaries who primarily sell insurance. "Allowing rewards brings in transparency and regulates the amount that can go to intermediaries. However, there is still considerable flexibility for web aggregators as they can engage in other activities such as outsourcing. This is currently not at par with rules for other intermediaries," said Kapil Mehta, co-founder, SecureNow Insurance Brokers Pvt. Ltd.

While the current rules don't allow commissions for pure online products, the industry practice has been to compensate web aggregators under different cost heads such as by paying them a fee for outsourcing activities. These regulations, in that sense, have acknowledged these activities and formalised these payments. This, however, will not hike prices. "The regulator has acknowledged the role of intermediaries in expanding the online platform," said Bhatnagar. However, as the rewards will usually be a part of the companies' marketing budgets, allowing them is unlikely to result in higher prices for the products, he added.

Source

As per Goel, web aggregators account for less than 1% of the total insurance sale and these guidelines will boost greater participation by the web aggregators. Currently there are around 21 web aggregators.

Back

Circulars

Source

Guiding Principles for Pricing of Risk – Circular Ref: IRDA/NL/MISC/PRO/115/05/2017 dated 9th May, 2017

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Source

IRDA/ACTL/CIR/ULIP/174/08/2016 dated 26.08.2016- Revival Option under discontinued Unit Linked Policies – Circular Ref:IRDA/ACT/CIR/ULIP/113/05/2017 dated 5th May, 2017

Back

Pension

Now EPFO to make all payments to members electronically – The Financial Express – 8th May, 2017

The labour ministry has amended the social security schemes run by the retirement fund body EPFO to enable it to make all payments — pension, provident fund and insurance — to members electronically. "The labour ministry has amended the schemes run by the EPFO by a notification. This will enable the Employees' Provident Fund Organisation (EPFO) to make all payments like EPF and pension through digital mode," an official said.

It was provided in the schemes run by the EPFO that the body can make payments to its subscribers through various modes like money order, cheques or electronically.

The official said, "The scheme has been completely amended and the provision of making payments through money order or cheques has been omitted from the schemes. Thus all payments would be made through electronic mode."

Explaining further, the official said, "Though the EPFO had been making 98 per cent of its payments through electronic mode, there were some field offices which were using other modes like cheque and money orders."

The official also informed that the decision to go 100 per cent digital for payments, was taken after some complaints were received for ensuring complete transparency.

Source

The EPFO has over four crore subscribers and receives 1 crore claims every year including that of EPF withdrawal, pension fixation and insurance claims.

Back

EPFO not to construct homes: Dattatreya – The Hindu – 8th May, 2017

Labour Minister Bandaru Dattatreya today clarified that the retirement fund body EPFO will not construct houses, but become a facilitator for its over four crore members so that they can buy homes.

The Labour Ministry intends to facilitate at least 10 lakh subscribers in the next two years by allowing them to use 90 per cent of EPF accumulations to make down payments to buy houses and use their accounts for paying EMIs of home loans.

"For housing, the EPFO has nothing to do with construction of houses. It is their (subscribers) responsibility," Dattatreya replied when asked whether the Employees' Provident Fund Organisation (EPFO) would build low cost homes for their subscribers.

Elaborating further about the recent amendment in the Employees' Provident Fund Scheme 1952 for facilitating members to buy homes, the Minister said, "The scheme also aims to fulfil the Prime Minister's vision of 'Housing for All By 2022'. Our EPFO subscribers will be the beneficiary of this scheme. We have 4.31 crore EPFO subscribers. We have framed norms for forming group housing societies."

Earlier, some sections of the media had reported that the EPFO will build 10 lakh homes in the next two years for its subscribers and the body would join hands with Ministry of Urban Development for the purpose.

Dattatreya said, "The scheme can be availed by the subscribers getting monthly basic wages of below ₹15,000.

The scheme will be aligned with the Urban Development Ministry (programmes) and other organisations because the Centre is also giving subsidy of ₹1.5 lakh to weaker sections (to buy houses)."

He said that the government is also providing interest subsidy for certain sections of people for buying houses and all benefits can be clubbed together.

Source

The Minister also talked about the proposal of raising wage ceiling for coverage under the EPFO from existing ₹15,000 to ₹25,000, which would be shortly taken up in next meeting of body's trustees.

Back

Panel formed to look into merger of CIL pension fund with EPFO – The Economic Times – 9th May, 2017

The government may merge Coal India's pension fund with the Employees' Provident Fund in an attempt to overcome a shortfall and ensure that payments to pensioners are not disrupted.

The state-owned miner's fund currently manages about Rs 13,000 crore and provides pensions to some 3 lakh retired Coal India employees. Contributions from employees, interest income and earnings from investments haven't generated enough money to meet a pension bill that's been mounting as salaries increase.

An actuarial estimate about four years ago suggested that the fund faces a gap of about Rs 26,000 crore and needs to be replenished to ensure there's enough money to pay pensions in the near future. The ministry's decision to merge it with the EPF is an effort to save the fund.

The coal ministry recently formed a six-member committee headed by additional secretary Suresh Kumar to look into the possibility of merging the Coal Mines Provident Organisation (CMPFO) with the Employees' Provident Fund Organisation (EPFO). A copy of the notification forming the committee was available with ET.

The other members of the committee are coal ministry joint secretaries RP Gupta and RS Puri and deputy secretary M Pratap, as well as economic advisor Animesh Bharti and CMPFO commissioner BK Panda. The committee, which has met once, has been asked to submit its report by May 20.

According to the actuarial report submitted in 2013, the total accrued liability of the fund was about Rs 41,000 crore while its assets were estimated at Rs 14,800 crore, resulting in a deficit of Rs 26,200 crore. Employees will need to contribute about 19% of their salary – compared with about 5% currently – to make good the deficit.

"Despite inbuilt provision for review of the Coal Miners' Pension Scheme every three years, there has been no review for the last 20 years mainly due to lack of coordination between Coal India and the coal ministry," said SQ Zama, secretary general of the Indian National Trade Union Congress, one of the employee unions at Coal India.

Source

He said the fund cannot be made sustainable unless urgent measures are taken to inflate its corpus. The unions had suggested imposition of Rs 20 per tonne of coal while employees had agreed to increase their contribution to the fund from 4.91% of their salary contribution to 7% and wanted the Coal India management to contribute an equal 7% to the fund.

Back

Global

Myanmar: Weather related crop insurance pilot plan to start – AIR – Asia – 8th May, 2017

A weather index-based crop insurance is set to be introduced in pilot projects in several parts of Myanmar, starting today.

According to the Ministry of Agriculture, Livestock and Irrigation deputy permanent secretary U Myo Tint Tun, the insurance scheme is to protect farmers against crop damage, The Myanmar Times reported.

U Ye Min Aung, an executive with the Myanmar Agribusiness Public Corporation (MAPCO), and U Chit Khaing, an official from the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), submitted a proposal for the scheme.

The crop insurance system will be implemented via the Myanmar Agricultural Development Bank in cooperation with Sompo Japan Insurance firm, U Ye Min Aung said.

The crop insurance scheme will be sold only to the farmers who have a farm ownership certificate.

The weather index-based insurance will begin for paddy farmers first. “If the rain fall is below 112 mm, the farmers will be entitled to an indemnity. We have submitted the plan to the Insurance Industry Scrutiny and Supervisory Committee. After getting approval, we will start pilot projects in Pyay and Shwebo,” he added. The pilot schemes will be extended to other regions and states.

Future plans include flood insurance and insurance for culling animals as a result of disease control, U Ye Min Aung added.

Source

“If a disease like bird flu breaks out, animals have to be culled and we will also implement an insurance system for this,” he said.

Farmers suffer crop damage every year in Myanmar because of floods.

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