INSURANCE INSTITUTE OF INDIA

Insurance Institute of India

C – 46, G Block, Bandra-Kurla Complex, Mumbai – 400051

INSUNEWS

- Weekly e-Newsletter

4th – 10th August 2018

• Quote for the Week •

"One way to keep momentum going is to have constantly greater goals"

Michael Korda

INSIDE THE ISSUE

Insurance Industry

Explained: How technology can help make buying insurance easier – Financial Express – 8th August 2018

Wearables can not only track your health and fitness, but can also play a crucial role in deciding your health and life insurance premium. Similarly, telematics can not only provide real-time navigation and vehicle tracking, but can also help lower your car insurance premium if you drive carefully and drive during off-peak hours. And even Internet of Things (IoT) devices and Artificial Intelligence (AI) can give early signals in fraud detection cases.

Digital technology can help insurance companies to underwrite risk effectively by using Big Data collected from customers from multiple sources. The working group of Insurance Regulatory and Development Authority of India (Irdai) set up to examine innovations in insurance involving wearable/portable devices in its report has underlined that the use of technology has an impact on product design and the efficacy of inclusive insurance delivery. Product and benefit offering could be directly linked to the performance and progress of the individual's health score.

Technology in insurance

In life insurance, health information forms a critical part of risk assessment. A person's health indicators, such as heart rate, exercise habits, blood pressure and other information obtained from wearable devices can be used to determine the health and fitness of the insured. These metrics can greatly aid in the assessment of life insurance risk. "Insurers could develop framework/ models using wearable data throughout the life cycle of the insured to not only build attractive product propositions but also to monitor experience throughout the policy term," the report underlines.

Moreover, digital technology can extend the reach of life, annuities and pension coverage into largely untapped areas such as the younger and lower income segments by reducing costs. Behavioral analytics can help insurers gain a deeper understanding of behavioral trends, customary aspects and habits of individuals. This can help in customised solutions and better real-time and fast-track customer services.

In health insurance, the usage of wearables data can be critical. At present, insurers have access to a point-in-time data through medical tests or self-disclosures, which are often not adequate for risk assessment on an ongoing basis. The lack of electronic health records or any other common repository of health data makes the process of risk assessment challenging. Product and benefit offering could be directly linked to the performance and progress of the individual's health score. Pricing could also be based on the consistency of the health score during the term of the policy based on pre-fixed health metric.

Hassle-free insurance

From purchasing a policy to raising a claim, the process is time-consuming and paper-intensive. Technology can address these concerns and make the customer experience very smooth and hassle-free. IoT and AI will help detect fraudulent claims and triggers indicating frauds can be identified. This, the report explains, would reduce the liability of the insurer and the benefit can be passed on to the customers through lower premiums.

For instance, past claims data for all vehicles and flagging of total loss/theft of vehicles is available with Insurance Information Bureau. "It may become possible to acquire this data through a web integration in order to identify fraud proposals which come for underwriting, in terms of wrong non-claim bonus declaration or proposal for a vehicle which has previously been claimed for total loss," the report says.

Risks and regulatory framework
The trends in technology have many potential benefits that align with supervisory objectives. While digital distribution can help make insurance more affordable, there are some risks, too. For instance, risk pool may shrink as advanced analytics may render some segments of the markets commercially uninsurable. This could give rise to price discrimination and could impact low-income customers.

Reliance on AI, according to the report, may reduce the transparency of some decisions and limit the depth to which even the executive management grasps how the business operates. Regulators will need to consider the standards of the devises and their usage. "While doing this, the framework must bear in mind that technology changes very fast, so only minimum standards should be laid down," it said.

Source

Back

Govt withdraws FRDI bill in Parliament following backlash – Mint – 7th August 2018

The government on Tuesday withdrew the controversial Financial Resolution and Deposit Insurance (FRDI) bill following widespread criticism of its controversial provisions, including a "bail-in" clause that suggests depositor money could be used by failing financial institutions to stay afloat.

The lack of clarity over protecting existing levels of deposit insurance for smaller deposits also led to a lot of criticism. At present, deposit insurance is available for all deposits of up to Rs1 lakh but there was no clarity on whether it will be continued in the bill. Minister of state for finance Pon Radhakrishnan moved the proposal for withdrawal of the bill in Lok Sabha, which was accepted by the House.

The FRDI bill, 2017 was tabled in the Lok Sabha in August 2017, following which it was referred to the joint parliamentary committee. It was brought in to limit the fallout of the failure of institutions such as banks, insurance companies, non-banking financial companies, pension funds and stock exchanges.

However, opposition parties termed some of the bill's provisions anti-people and anti-poor and pointed out that people's money will be used to bail out banks that make bad lending decisions through a corresponding reduction in the claims of depositors.

The government vociferously defended the provisions of the bill for months, pointing out that the bail-in clause will not adversely impact depositors. The government had maintained that the implicit sovereign guarantee for state-run banks remains unaffected. Prime Minister Narendra Modi had also sought to assure people that the bill was consumer friendly and will protect the public's deposits.

Last week, Union finance minister Piyush Goyal had informed the joint committee that the public had expressed concerns over the provisions of the bill, including the use of the bail-in instrument to help a failing bank, the adequacy of deposit insurance cover and the need to revive insurance limits substantially, and application of the resolution framework for public sector banks, news agency PTI reported.

Goyal said that the resolution of these issues would require a comprehensive examination and reconsideration.

Source

Back

With scams galore, banks set to fork out more for D&O liability insurance - The Hindu Business Line – 6th August 2018

With directors and officials getting either arraigned or probed by investigating agencies in cases relating to loans extended, among others, to the defunct Kingfisher Airlines, and companies run by the uncle-nephew duo Mehul Choksi-Nirav Modi and Rotomac Pens, banks are seeking to ramp up cover under the Directors & Officers (D&O) liability insurance to almost five times the current level.

Zooming claims
Bankers underscored that legal expenses incurred for engaging lawyers to defend serving/ retired officials and present/ former directors are going up in those cases. Hence, the need for enhanced D&O cover.

A senior public sector bank official said his bank is planning to increase its D&O cover five-fold to Rs. 100 crore in the backdrop of instances of diversion of loans and frauds by borrowers coming to light in the banking sector.

Preliminary enquiries made by the bank with insurance companies revealed that premium rates will be bumped up as banks have started making claims.

"The premium that we paid for our current D&O cover was less than 1 per cent of the sum insured. But the general insurer we spoke to said this would go up substantially due to increase in the number of cases that bank officials and directors have got embroiled in vis-a-vis loans turning bad," explained the bank official. According to the International Risk Management Institute, D&O liability insurance provides cover to directors and officers for claims made against them while serving on a board of directors and/or as an officer.

In effect, the policies function as "management errors and omissions liability insurance", covering claims resulting from managerial decisions that have adverse financial consequences.

Quid pro quo allegations

A public sector general insurance company official said conflict of interest and quid pro quo allegations in sanctioning of loans against the chief of a large private sector bank would weigh on the D&O premium for the banking sector.

Source

Back

India: Online insurance mart forecast to soar to US$8.8bn in 2023 - Asia Insurance Review

The Indian online insurance segment is expected to grow exponentially over the next five years and reach almost INR600bn ($8.8bn) on the back of an expanding digital ecosystem.

Currently, the online insurance sector is 2-3% of the total insurance premium collection of INR3trn annually, reports Business Standard.

"Over the next five years, the net insurance premium revenue is pegged at INR6trn, of which the online insurance space is expected to comprise 10% or about INR600bn," online insurance aggregator Renew Buy CEO, Mr. Balachander Sekhar, told Business Standard.

He claimed the growth in the insurance and online insurance spaces would emerge from both big cities and tier-II and tier-III towns. He said currently about 70m people of the total 1.25bn population in India had taken any type of insurance.

Renew Buy has drawn up a roadmap to onboard 100,000 digital insurance agents (partners) over the next 2-3 years, including 10,000 in Uttar Pradesh, which is a key market for the company. Currently, the insurer has a network of about 11,000 partners, which would ramp up to 100,000 in coming years, added Mr Sekhar.

The company has 24 offices in India, besides a network of digital agents in all key cities and towns.

Source

Back

IRDAI Regulation

Irdai relaxes rules to help you claim pension money – Mint – 9th August 2018

The life insurance industry collectively has Rs 15,166.47 crore of unclaimed money that belongs to policyholders. Last year, the Insurance Regulatory and Development Authority of India (Irdai) asked insurance companies to make provisions to reach out to the policyholders and pay them their dues, now the regulator itself is taking steps to make it easier for policyholders to claim their money.

Through a circular dated 3 August, the insurance regulator has relaxed the rules on pension products and allowed policyholders to completely withdraw smaller amounts accumulated through pension products. This is one of the reasons why insurance companies have unclaimed money, said the circular.

Current rules

A pension policy sold by the life insurance industry is known as a deferred pension plan. This is because in the initial phase or through the policy term, you invest periodically to accumulate a corpus. On maturity or at the end of the policy term, you can only keep up to one-third or about 33% of the maturity corpus tax-free in your hands. With the remaining money, you need to buy an annuity or a single premium deferred pension plan. An annuity product provides you pension for life.

As per Irdai rules, an insurance company needs to pay an annuity amount of at least Rs 1,000 per month to the policyholder. In other words, your corpus has to be enough for the insurer to give you Rs 1,000 per month, after annuitizing.

For this, the corpus for a 60-year-old would have to be about Rs 2 lakh, in the current scenario; most insurers specify a minimum purchase price for their annuity products. If the accumulated amount is lower, insurers can't annuitise, and since the rules allow you to withdraw only one-third of the maturity corpus, insurers are left with the remaining money.

We spoke to insurers to understand what happens to this money: while some insurers hold on to the amount and move it to the unclaimed fund, some others refund it to the policyholders. So there is ambiguity on what to do with this money.

Going forward

But now Irdai has specified that any accumulated unclaimed amount that's not sufficient to buy the minimum annuity amount can be paid back to the policyholder as lump sum.

Source

According to income tax rules, any amount that's commuted (taken as lump sum) from a pension product is tax free. So the amount refunded to you will be tax free too.

Back

Life Insurance

Telangana launches Rs 5 lakh life insurance scheme for farmers – Mint – 6th August 2018

The Telangana government on Monday launched a Rs.5 lakh insurance programme for farmers in the state, touted to be the first of its kind, under which their families will get the amount irrespective of whether the death is natural or accidental.

The ruling Telangana Rashtra Samithi (TRS) has launched the scheme with the aim of getting the support of the farming community before the 2019 state and parliamentary elections.

However, the scheme is limited to farmers aged between 18 and 60 years. The Rythu Bandhu Life Insurance Bonds (as the scheme is called), which is expected to benefit 2.8 million farmers (out of 5.8 million), will cover only land owners who received monetary assistance of Rs.4,000 from the state government to bear farming costs under the "Rythu Bandhu" programme earlier this year.

On Monday, Telangana agriculture minister Pocharam Srinivas distributed the life insurance bonds to farmers in Kamareddy district, while officials from the agriculture department took up distribution in other parts of the state.

Most of the bonds are expected to be given to farmers by 15 September, said a senior official of the department who did not want to be named.

Earlier, the state government had distributed cheques of Rs.4,000 under the Rythu Bandhu programme to about 5.8 million land-holding farmers to bear farming costs such as purchase of fertilizers and seeds.

However, tenant farmers, who have been demanding to be added under the scheme ever since it was introduced, have been left out of it. Chief minister K. Chandrashekar Rao himself had rejected their inclusion in it, stating it cannot be done as tenant farmers cannot be verified and that they have no rights over the lands.

"The insurance amount in case of death or accident will be given to a farmer's family in 10 days itself. Roughly Rs.650 crore has been invested for the Rythu Bandhu Life Insurance Bonds," said K. Vijaya Kumar, additional director, Telangana state agriculture department.

The scheme is continuous, as eligible farmers will be added and those who become ineligible (after crossing 60 years) will be removed from it, he said.

Source

The schemes have both been launched in the last one year and are seen as the TRS government's major outreach to the farming community.

Non-Life Insurance

Non-life insurers to seek more time from SC for changes in motor cover norms - The Economic Times (Delhi edition) – 9th August 2018

Non-life insurers are planning to seek more time from the Supreme Court to implement its directives on making long-term third-party insurance mandatory and ensuring pollution under control (PUC) certificate is in place before motor insurance is issued.

The top court had directed the Insurance Regulatory and Development Authority (Irda) on July 20 to ensure that from September 1 third-party insurance is in place for three years in case of four-wheelers and for five years in case of two-wheelers before vehicles are sold. “We are discussing the long-term third-party motor insurance issue with the regulator and will file an appeal petition with the Supreme Court seeking adequate time on smooth implementation of the directive,” said R Chandrasekaran, secretary general of General Insurance Council.

The industry wants to make sure that long-term third-party insurance is available at every dealership. There are two variants of motor insurance at present – a composite packaged motor policy and a third-party policy – and companies have launched many addons with these policies.

Although Irda has framed guidelines for long-term third-party insurance and has stepped up the pace of clearing insurance products, it needs more time to clear products by all 25 general insurance companies, industry executives said.

Insurers said that long-term third-party cover would lead to customers losing out on the benefits of discounts on premium.

“There will be no differentiation between good and bad risks, hence a good customer will end up subsidizing for bad risks,” said Kamesh Goyal, Chairman, Digit Insurance. “All no-claim bonus customers will be locked at nil no claim bonus for three years. Therefore, there will be no benefit for long-term claim-free experience.” To increase the number of insured vehicles on roads, the Supreme Court Committee on Road Safety asked Irda to offer a mandatory long-term policy for vehicles at the time of sale.

All vehicles on the road mandatorily need to have a third-party motor insurance cover, but almost half of the vehicles in India ply without it. Insurance companies have designed long-term motor insurance products which are comprehensive in nature and include cover for own damage as well as third party. Third-party cover pays for damage to the third person or property, while cover for own damage pays for damage to the vehicle.

Source

This follows another directive from the Supreme Court asking insurers to ensure that every vehicle has a valid PUC certificate on the date of renewal of motor insurance policy.

Back

Three public sector general insurers remain headless - The Indian Express – 6th August 2018

Three public sector general insurance firms — New India Assurance (NIA), National Insurance Company (NIC) and United India Insurance (UII) — are still headless even though the finance ministry conducted the interviews of nine candidates in May to fill the CMD positions.

The delay comes at a time when the proposal to merge three insurers (NIA, UII and Oriental Insurance) is in a limbo and with PSU insurers — except New India Assurance — starting to lose market share.

While the post of CMD at NIC fell vacant as K Sanat Kumar retired in April, the posts at UII and NIA fell vacant when MN Sarma and G Srinivasan retired in May-end and July-end, respectively.

The Ministry of Finance had earlier short-listed 9 names for interviews in May this year. The Ministry had promoted 16 senior officials of the PSU general insurers as general managers, a fairly large number, considering the fact that three of the firms were expected to merge soon and the merged entity may not need such a large number of GMs. Several of the GMs have residual services of more than two years.

The proposed merger of three PSU general insurers to create a new general insurance behemoth has once again the kept the industry guessing about the deadline for the mega merger that is supposed to be completed by the year end. “We don’t know whether the merger is going to happen. On the other hand, some of the PSU insurers are losing market share and financially they are weak,” said a senior official.

The private sector showed a faster pace (22 per cent year-on-year during FY2018) as compared to the growth of PSU insurers' 13 percent during FY18, says a ICRA report. As a result, the share of the private players in the overall market improved to 55 per cent in FY2018 from 53 per cent in FY17.

Meanwhile, HG Rokade and C Narambunathan, two General Managers, have been jointly asked to discharge the responsibility of CMD of NIC after Srinivasan retired on July 31, 2018.

State-run Life Insurance Corporation (LIC) will see a series of retirements from September onwards including Usha Sangwan, MD, LIC, who will be retiring in September 2018 and VK Sharma, chairman, retiring in December 2018 and other three existing MDs following them.

There are six senior officials of the corporation, having more than two years of residual services, who will be competing for the top posts of the life insurance behemoth. They include Ganesh Kumar (October 2020), Bipin Anand (July 2021), T Sushil Kumar, Mukesh Gupta (September 2020) and Raj Kumar (2022). The person, who will be succeeding Sangwan, stands a fair chance of becoming the chairman of LIC when Sharma demits office in December, source said.

The next round top level vacancies in the industry will now arise in 2019 when Alice Vaidyan, CMD, GIC Re, PJ Joseph, member, IRDAI retire in July 2019 and January 2019, respectively. The government is expected to dilute its stake in GIC Re and NIA which are already listed on the stock exchanges.

Source

Back

Companies rush for social media insurance – The Times of India – 4th August 2018

The rising wave of intolerance in India is pushing organisations to ensure their insurance policies cover the fallouts of social media hate or unintentional corporate goof-ups. Insurers say companies fear litigation and expenses in the event of incidents such as when a DDI World employee tweeted a hate message against Kashmiris, or when a Kotak Mahindra Bank employee justified the Kathua rape.

Organisations are insisting on new and more comprehensive clauses in their normal professional indemnity and directors' officers' (D&O) liability insurance policies. Some insurers even offer specialised covers such as ICICI Lombard General Insurance's media liability cover and Bajaj Allianz General Insurance's cyber safe policy. These include social media liability.

The D&O liability insurance coverage seeks to protect individuals from personal losses if they are sued as a result of serving as a director or an officer of a business or other types of organisation.

ICICI Lombard General Insurance chief underwriting officer Sanjay Datta said, "Awareness has been increasing. For corporates, managing possible reputational risk and litigation is important. When the Satyam fraud issue happened, there was an immediate uptick in D&O policies.

Datta said companies need to take policies that are comprehensive as they face a wide range of risks — it could be a matter related to comments on social media, it could be about religious discrimination, gender wage gap, company results, company policy, or employee dissatisfaction. "Company executives, independent or working directors, and board members could get sued by shareholders, employees or the public," he said.

In the case of Kotak Mahindra, it had quickly fired the employee for making the Kathua rape comments.

Dutta said, "Employees can sue, citing wrongful termination. They can sue both the corporate entity and the management, which is where the D&O policy would kick in." Public sector insurers say older policies can handle such fallouts of social media without the need for a special cover.

"Social media liability insurance may be a new concept with the rising popularity of LinkedIn, Twitter and Facebook. But it basically is a take-off on traditional covers," said an official of United India Insurance Company.

SBI General Insurance head (product development) Puneet Sahni said media companies, in particular, have wide exposure to such content-related issues and take more comprehensive covers. Indians are seen to be getting easily offended, as in the case of Priya Warrier's wink video that went viral.

"Media companies run the risk of getting sued for inappropriate content or what people find inappropriate — on content related to religion, gender, identity, ethnicity or sexual preferences. It may be a subjective matter, but there is still the litigation to be faced and costs to be borne," said Sahni.

Source

How title insurance can help homebuyers - The Economic Times – 3rd August 2018

The Real Estate Regulation and Development Act, 2016 (RERA) came in to force a little more than a year ago. A lot has been said about how in the last one year not much has been achieved by it. However, there is one good thing that has been introduced by RERA-title insurance. The Act mandates the purchase of title insurance for all new and ongoing property developments registered with the regulatory body.

HDFC Ergo, a general insurance company, has recently launched 'Title Insurance Policy', a first of its kind product in the private insurance segment in India. Essentially, it provides indemnity to developers and the subsequent owners of the property against losses and risks related to defects in the title arising out of third-party challenges.

Now, before we tell you what title insurance covers, here is a look at why there is a need for such a product.

Dispute due to title of property
A big worry among home-buyers, especially now, is the delay in getting possession of their homes or even worse, the project itself getting stalled. One of the many reasons for a real estate project to get stalled is the claim by some other person on the land being owned by them and not by the builder or developer.

A dispute of this nature arises primarily due to the claim on 'ownership', i.e., the 'title' of the property. Title refers to the legal ownership of the property established through the registration of the property documents. Every time, a property is sold and bought, the title. i.e., the ownership changes. And, this may lead to defects in the title itself. "Land records in India are not easily accessible due to lack of digital infrastructure. Moreover, the risk of faulty land records has grown quite high as cost of land across the country has grown exponentially in the last few decades," says Surendra Hiranandani, Chairman & MD, House of Hiranandani.

These disputes can generally lead to long drawn court cases involving time and money. Not just for a new construction, such an incident may happen elsewhere too if any individual has bought land or a ready-to-move in property from another individual in a secondary sale transaction.

What does title insurance cover?
Unlike other insurance products, the insurance coverage in title insurance is not restricted to events happening in the future. Simply put, title insurance even covers issues not discovered prior to the commencement date of the policy. Some of the defects in the title may emerge because the title of property may belong to someone other than the insured or the previous deeds of the property being inadequate or because of one of the previous transaction being subject to an act of fraud or forgery by a third party. These incidences may adversely affect insured's rights over the title of the property.

Coverage period
Even though the initial cost is borne by the builder, the society may have to pick the tag if required at a later stage. "The premium usually is payable in one single payment for the entire policy period, i.e., ranging from 7 years to 12 years. The policy can be further renewed for a period of 7 or 12 years by the housing society, on expiration of the policy," informs Anurag Rastogi, Member of Executive Management, HDFC ERGO General Insurance.

What is in it for home-buyers?
Even though title insurance may not be available for home owners of individual land, it will stand to benefit society home-buyers. Once the title insurance policy is bought by a builder by paying the premium amount, it has to be subsequently assigned to the association of allotees of the housing societies, who are the ultimate beneficiaries of the policy. "The current policy is offered to developers with an indemnity limit of over Rs 5 crore, wherein the developments undertaken could be for corporate or residential projects. Having said that, we are evaluating the market for a product which could be offered to individual home owners as well," says Rastogi.

In case of any claim by a third-party in the future, the title insurance can be invoked and can indemnify all the home-buyers to the extent of the loss incurred by them. All the defense or legal costs incurred including any out-of-court settlement are covered under the policy.

This is in addition to a written affidavit that a builder has to provide to RERA that the legal title to the land on which the development is proposed has legally valid documents with authentication of such title if the land is owned by another person.

Will it hike real estate prices?

Insurance comes at a cost and there is a possibility that getting a title insurance plan could push up the price of the property. "Hopefully, if there a large number of takers the costs would fall. Right now it (the policy) is prohibitively expensive and would impacts costs and therefore prices," informs Hiranandani. On the other hand, Rastogi feels, "The premium will be a small fraction of property cost and we think this would not impact the property costs at all." In practice, the actual premium will depend on various factors. If the ownership involves a home loan, even the lending institution may be asked to share the cost as their interest is also involved.

What should you do?

RERA registered builders don't have an option but to get title insurance now. "While, title insurance has been developed stemming from the requirement of RERA that mandates its purchase, the product can be purchased even for non RERA registered properties which was built many years back," says Rastogi. Nothing stops a society association from getting a title insurance cover if there is an iota of a doubt about the title of the land. After all, with the insurance of the title of the land in place, any negative surprise can be kept at bay.

Source

Back

Health Insurance

Ayushman Bharat roll-out may miss its date with I-Day - The Hindu Business Line – 9th August 2018

India's most ambitious healthcare scheme was earlier slated to be launched on August 15, Independence Day, but that plan has now been put on the back-burner. "Prime Minister Narendra Modi will talk about the scheme though in his I-Day speech and give a timeline for launching it," said Indu Bhushan, the CEO of Ayushman Bharat.

"We are keen on launching it on the same day across the country. We are waiting for a few States to formally come on board," Bhushan said.Except, Odisha all States are willing to join the health scheme. Punjab, Karnataka, Delhi, Kerala, and Maharashtra are in the process of coming on board.

The role of insurance companies has drastically gone down in the scheme, Bhushan said, adding that 22 States had opted to run the scheme on a "trust mode". Only Apollo Munich has been selected by Nagaland to provide services, while West Bengal is in talk with Bajaj Allianz to roll out the scheme. The Union Health Ministry has had at least three meetings with 25 insurance providers since the announcement of the scheme to coax them to come on board, but they have mostly not found the proposition profitable. "If it is profitable, implementation will suffer; if it is not, then why would we want to join?" said a COO of a leading private insurance company, who did not wish to be quoted.

The Centre has allocated an annual budget of ₹10,000 crore for the scheme, but it has not released its share of the funds yet. "Because it will be launched mid-year, we require only 50 per cent of the funds as of now. The Centre has released its 60 per cent share. The States are spending their 40 per cent share as of now," Bhushan said. Preeti Sudan, Secretary, Health and Family Welfare, recommended at a recent event of central public sector enterprises (CPSEs) that the Ayushman Bharat programme could be partially funded by corporate social responsibility (CSR). However, Bhushan said there was no paucity of funds, and the government had more money than they could use. The Centre has also not formally approached CPSEs to foot the bill for Ayushman Bharat.

"Till now, our CSR activities have been centered on offering services and equipment. For example, we provide ambulances or medical equipment for hospitals under CSR. Under Ayushman Bharat, the PSUs may be expected to make a cash disbursement or to contribute to a corpus. This has not been the case till now and the modalities for it haven't been worked out either," said a PSU oil company executive.

Up to 7,000 hospitals have applied for empanelment under the scheme. "There will be inspections to verify these hospitals. The States have to approve their empanelment. This process will take time. Even as big corporate hospitals have not come on board, there are smaller hospitals committed to the cause, and the number of applications is swelling by the day," said Bhushan.

The scheme intends to provide annual health cover of Rs 5 lakh for 10 crore poor families. The challenge of next to non-existent health infrastructure though remains in Bihar and North-East, Bhushan pointed out. "But we hope the scheme will generate demand-side financing in healthcare," he said.

Source

Insurers in wait-and-watch mode before signing up for Ayushman Bharat scheme - The Hindu Business Line – 9th August 2018

General insurers are cautious about the government's ambitious National Health Insurance scheme with many choosing to be in a wait-and-watch mode before bidding for any States.

As of now, only the bid for Nagaland has been finalized, with Dadra and Nagar Haveli likely to be the next for the tender.

Though most are betting big on the impact of the Ayushman Bharat scheme on increasing awareness about health insurance and giving a fillip to business, many insurers are waiting for more clarity on the pricing and the model used by larger States to implement the scheme.

"Everyone is waiting for the scheme to unfold and insurers will definitely participate in it. But first States have to decide on what model they choose. There is no idea about the premium either, as it is based on competitive bidding," said R Chandrasekaran, Secretary General, General Insurance Council.

Prime Minister Narendra Modi is expected to announce the scheme on August 15, which will provide health cover of Rs 5 lakh to 10 crore families, but it is likely to be implemented from October. The industry is now gearing up to launch the scheme around Dussehra or Diwali.

"The rules of the game are not very clear, be it on pricing of the scheme or the package rates. We are certainly open to the scheme but will wait for all the guidelines to come out as there are concerns that hospitals are not too happy on some issues," said Nikhil Apte, Chief Product Officer, Product Factory (Health), Royal Sundaram.

Another insurer pointed out that Nagaland's health and socio-economic performance is on the higher side and cannot be used to gauge the national average. A major concern is whether annual premium rates, once discovered through competitive bidding will then be frozen, like other government insurance schemes, which can then lead to losses.

Roopam Asthana, CEO and Wholetime Director, Liberty General Insurance, said: "At present, very small States and Union Territories are issuing tenders for the scheme."

Multiplier effect

However, insurers believe that the flagship health insurance scheme will have a huge multiplier effect.

Apte said the scheme will create greater awareness about insurance and also make people go in for additional health cover. "People may realise that they want to have a higher cover and would then turn to purchase it from other insurers," he said, adding that, in turn, would expand medical services to smaller towns and rural areas.

According to Rakesh Dayal, Director, Probus Insurance, Ayushman Bharat will make healthcare more affordable and rationalize costs of the TPA and hospitals. "In turn, the cost of medication could also come down. But execution will be the key," he said.

Source

Back

What your health insurance policy will not cover - The Economic Times – 7th August 2018

Decoding a health insurance policy document can be tough, given the complex list of terms and conditions. Many tend to give the in-depth study of the clauses a miss, only to regret later. Despite increase in awareness about sub-limits, pre-existing diseases and other exclusions, claim denial or reduced payouts continue to shock. To ensure uniformity, the Insurance Regulatory and Development Authority of India (Irdai) has set up a committee to suggest measures to standardize exclusions. In 2012, the regulator listed 199 items, indicating their admissibility or otherwise. The recent move is aimed at streamlining the framework further. Till then, refer to the following list to find out what your policy will not cover.

New or advanced treatment procedures

While newer techniques and treatment procedures are being introduced every day, insurance companies take time to keep pace with them. Unproven or experimental treatment, which is not based on established medical practice, is a common, but lesser known, exclusion in most policies.

"We honour claims for various forms of surgeries, but if the hospitals recommend robotic surgery or cyber knife, which are not part of the policy agreement, the claim is not covered and becomes a part of exclusions," says Jyoti

Punja, COO and Customer Officer at Cigna TTK Health Insurance. Stem cell therapies are not covered either. "Some insurers feel these are experimental in nature. However, patients do opt for them if doctors say they will lead to the best possible outcomes," says Kapil Mehta, Co-founder and Managing Director of insurance broking firm Secure Now. As a policyholder, the key is to go through policy wordings to know if the 'advanced' treatment procedure your doctor is recommending is covered by your insurer or not.

Resident doctor's charges

If your hospital segregates room rent and resident doctor's charges in the bill, chances are your insurer will not foot it. "Technically, resident doctor's charges are supposed to be included in the room rent. Therefore, the insurer will not pay for any separate resident doctor's charges," explains Nikhil Apte, Chief Product Officer, Product Factory (Health Insurance), Royal Sundaram General Insurance. Since an individual can rarely dictate a hospital's pricing policy, the best bet would be to choose a network hospital at least for planned or non-emergency hospitalization.

"Network hospitals are in tune with insurer's policies and hence the scope for high proportion of non-payable expenses in bills are limited," adds Apte. Registration charges levied by the hospital at the time of admission will also not be approved. Admission deposit is not covered either. "Most are usually not aware of nonplayable consumable items like shampoo and powder and other non-medical items. These form part of the standard list of nonplayable items as per regulations," says Anurag Rastogi, Member of Executive Management, HDFC ERGO General Insurance.

What the Irdai panel will look at now

Allowing disease-specific permanent exclusions to provide coverage to ailments unrelated to the excluded illness.

- Minimizing the number of exclusions to widen scope of health insurance coverage.
- Rationalizing the exclusions that disallow coverage for new technologically-advanced treatment procedures.
- Identifying the exclusions that should be eliminated.
- Standardizing and simplifying policy wordings.

Source

Back

Rising cost of healthcare: The challenge of managing health-related expenses in old age – Mint – 6th August 2018

Varun Gera Founder and CEO, Health Assure

The Indian healthcare ecosystem is evolving slower than the spiraling medical inflation. This has put to risk the elderly, many of whom don't have health insurance nor have they put aside money to cater to medical needs. Also, the increasing complexity of the healthcare space puts them at a loss to decide the best quality for care.

It's always good if one gets health insurance early (before 40 years of age) before your age and pre-existing disease profile makes it more expensive or worse not possible to get insurance. Post 40 years, it would be prudent to evaluate every 5 years if your cover is appropriate and increase it regularly to reflect increasing healthcare costs. You can increase the cover on your existing policy or buy another policy without discontinuing your earlier policy as your chances for claim approval is higher on earlier policies, including for existing diseases which have come in later.

Having said that, health insurance would not take care of all your needs like day-to-day care (OPD needs). Even if your cover is enough for hospitalization, various components do not get paid by insurance companies. Therefore, you need to put aside some money for your healthcare needs as you approach age of 50 years.

Unfortunately, many of the elderly don't have health cover and probably out of range for getting one because of their profile. They can explore if they can get covered as dependents of their children's corporate health plans.

Dr D.S. Chadha, Director-internal medicine, Fortis Hospital, Vasant Kunj

Increased life expectancy, rapid urbanization and lifestyle changes have led to the emergence of varied problems for the elderly in India. The elderly population suffers high rates of morbidity and mortality due to infectious diseases. Unattended chronic disease, unaffordable medicines and treatment and malnutrition are part of old age life in India as there is no system of affordable healthcare.

Insurance cover that is elderly-sensitive is virtually non- existent in India and, when provided, it's very costly, limited to hospitalization and with many exclusions. With the emerging prevalence of nuclear family set-ups in recent years, the elderly are likely to be exposed to emotional, physical and financial insecurity in the years to come. Pension and social security is also restricted to those who have worked in the government or public sector or the organized sector of the industry.

They are less vulnerable in rural areas as compared to their urban counterparts due to the joint family system in rural areas. The concept of geriatric care has remained a neglected area of medicine in the country.

Healthcare system for elderly in India is extremely bad and very costly which many can't afford as compared to developed countries where government schemes and healthcare system look after their senior citizens.

S. Premkumar Raja, Co-founder and secretary, Nightingales Medical Trust
One of the biggest challenges that elders face is financial instability. Being financially stable plays an important role, especially in meeting the increased cost of healthcare requirements as elders are more prone to multiple diseases. Unlike in developed countries, where the social security systems and health services take care of the retired elderly, the resources in India, both from the government and the private sectors, are very limited.

In India, only 10% of retired employees get pension from the government/former employers and the other 90% are forced to survive on their savings which often get exhausted within a few years of retirement. Thus, post-retirement, elders often end up depending on their children or others for financial help and neglect their health. This lack of economic independence leads to distress within the family, stealing dignity and independence from the aged.

Inaccessible and unaffordable healthcare services, absence of geriatric care, unorganized home care providers and lack of elder friendly insurance schemes are the major issues that senior citizens face in healthcare.

It's important for elders to make a conscious effort to remain active and engaged. Everyone should plan their post-retirement and finances as early as 40 years of age.

Dr Naresh Trehan, Chairman and Managing Director, Medanta
In present times, people typically live longer but a long life is worthwhile only if it is disease-free. India faces a rapidly growing healthcare crisis. In addition to cyclical diseases like dengue, we have chronic lifestyle-related ailments such as diabetes. This is compounded by one of the fastest growing geriatric populations in the world: by 2050 we will have 240 million elderly. Failure to address this will create an unbearable and unmanageable healthcare burden with vast ramifications. Unless we co-opt our population into the national health agenda as informed, proactive and participative agents, we will be unable to meet the looming healthcare crisis.

The focus has to be on promoting wellness and preventing disease. A second necessity is detection as early detection of disease is extremely important to contain it. Regular health check-ups are necessary. Their importance only increases as we grow older. Comprehensive treatment of disease and its thorough management and control is the third important aspect. Factoring these into our life maps will ensure a healthy old age.

One must remember that healthcare is incrementally expensive as we age. It is necessary to secure oneself with adequate health insurance. Wellness through healthy living is the key to all healthcare. While no one can reverse or prevent ageing, anyone can optimise opportunities for a fine quality of life in old age.

Source

Back

Railways asks employees to avail benefits under govt's insurance schemes - The Tribune – 6th August 2018

Railways has requested its employees and contractual staffers to avail benefits under the government's flagship insurance schemes, saying they were of national importance.

In a letter dated August 2, Railway Board Chairman Ashwani Lohani asked the zonal general managers to encourage their employees as well as the contractual staffers to avail the benefits of the Pradhan Mantri Suraksha Beema Yojana (PMSBY) and the Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY).
"As these schemes are of national importance, we should encourage our employees and also contractual workers to join the schemes and avail benefits," Lohani said, adding a nodal officer each has been nominated for this purpose.

In the letter, he said that the zones should "strive to ensure maximum possible coverage" of on-board housekeeping staff, cleaning, catering and other labour intensive contracts under the above schemes.
This was decided after a meeting with the secretary, financial services, Government of India on July 31, officials said.

Railways has around 13 lakh employees and more than 90,000 contractual workers.

At present, 5.3 crore people are insured under the PMJJBY, which offers a renewable one-year term life cover of Rs 2 lakh for an annual premium of Rs 330. There are around 13 crore people insured under the PMSBY, which is an accident death-cum-disability cover of Rs 2 lakh for an annual premium of Rs 12.

Source

Lohani further asked the zonal railways to nominate a nodal officer in every zone to coordinate with service providers and other stakeholders for 'maximum possible coverage'.

Back

Accident cover soon for cyclists? - The Economic Times – 4th August 2018

When you purchase a bicycle, you may be advised to go for an accident insurance. With number of cyclists' accident increasing, the bicycle shops are already in talks with insurance companies. This comes amid concerns raised by Kerala Orthopedic Association (KOA) that our city roads are not safer for cyclists and pedestrians.

"We have decided to ask cycle buyers to opt for an insurance. This is the need of the hour," said Ranjith Rathiyappan, franchisee, Track and Trail Cycling Club and owner of a cycle shop, who have joined hands with KOA to spread road safety awareness for cyclists and pedestrians.

As part of the Bone and Joint Day celebration, the Indian Orthopedic Association is conducting a road awareness programme on Sunday. In Kochi, the Cochin Orthopedic Society in association with IOA (Indian Orthopedic Association) and KOA (Kerala Orthopedic Association) is conducting a road show and cycling rally to emphasize the importance of safe walkways and cycling tracks in the city. They will also start an online petition requesting government to set up more walking and cycling tracks.

"Pedestrian injuries are on the rise and have become one of the major causes of death in our country. Pedestrian safety is one among the priorities of the developed nations and as our country is moving towards urbanization, this important pillar of health should not be forgotten," said Dr R Venugopal, secretary, Cochin Orthopedic Society.

Source

According to orthopedic surgeons, 75% of their work is on trauma with mobile phone being one of the major reasons for the accident, "Our aim is to raise awareness among the public on the importance of walking and cycling, as well as to bring to the notice of the government their responsibility to provide safety to the pedestrians and cyclists," said KOA president Dr Sabin Viswanath.

Back

PM reviews preparedness for launch of Ayushman Bharat - The Hindu Business Line – 4th August 2018

The scheme will provide health assurance cover of up to Rs. 5 lakh per family.

The Prime Minister, Narendra Modi, today reviewed the progress of preparations for the launch of the health assurance programme under Ayushman Bharat. The scheme will provide health assurance cover of up to Rs 5 lakh per family. It will be targeted to cover over 10 crore poor and vulnerable families.

Top officials of the Ministry of Health and Family Welfare, NITI Aayog and PMO, briefed the Prime Minister on various aspects, including the preparations in States, and development of technological infrastructure associated with the scheme.

'Health wellness Centre'
In April, on the occasion of Ambedkar Jayanti, the Prime Minister had inaugurated the first 'Health and Wellness Centre' under Ayushman Bharat, at Bijapur in Chhattisgarh.

Indu Bhushan, Chief Executive Officer, Ayushman Bharat, mentioned that, for the first time, the scheme covered the demand side of the healthcare sector.

The focus was also on disease prevention, ensuring portability and prevention of destitution. It would be a one country and one scheme to promote efficiency in health coverage, he said.

Bhushan said at present 28 states are on board for inclusion in the Ayushman Bharat scheme, while 8 states are yet to join. At the national level, all guidelines covering the scheme are in place and the IT backbone has been prepared. Flexibility has been accorded to states with regard to coverage, cost and the insurance model.

He further said that no definite date has been decided for the launch of the scheme even as it would be a staggered launch based on the preparedness of states.

Health Secretary Preeti Sudan told *Business line,* "We will have to wait for an announcement to be made on August 15, on the way forward for the roll-out of the scheme."

In the interaction earlier this week with industry players, Sudan had stated that the Ayushman Bharat scheme underpins the approach towards provision of universal healthcare and rests on two pillars.

The first pillar dwells on strengthening the private healthcare system and secondly it hastens the movement from being a healthcare provider to a player in tertiary care sector, in partnership with industry.

Accordingly, she strongly advocated the need for building credibility in secondary and tertiary healthcare by creating a transparent system. In this context, Sudan also suggested that the hospitals create a portal within their precincts on a voluntary basis to showcase their performance.

Source

Back

IRDAI to expand scope of health insurance coverage – The Hindu Business Line – 3rd August 2018

Regulator wants to include diseases and procedures that are not being covered now.

Health insurance customers may soon get relief in the form of coverage for certain diseases and medical procedures that were earlier excluded.

Working group set up
The Insurance Regulatory and Development Authority (IRDAI) has set up a working group to be chaired by Suresh Mathur, ED (Health), IRDAI, to examine the exclusions prevalent in health insurance and rationalize them by minimizing the number to enhance the scope of health insurance coverage.

Lifestyle changes
According to Puneet Sahni, Head-Product Development, SBI General Insurance, certain procedures which were earlier excluded, could now find their way into coverage due to changes in lifestyle and advancement in medical technology.

"Peritoneal dialysis, for instance, was excluded as it did not entail hospitalization, but for chronic patients, it is better when compared to the normal dialysis.

"Even bariatric is excluded, but if you see obesity is no more a lifestyle disease. These things may be reviewed comprehensively to ensure better coverage to a customer," Sahni told Business Line. Significantly, the working group has been asked to rationalize the exclusions that disallow coverage with respect to new modalities of treatments and technologically-advanced medical treatments.

"Rationalizations of exclusions will help improve penetration of health insurance in the country," said S Prakash, Chief Operating Officer (COO), Star Health and Allied Insurance. "The number of exclusions, both for diseases and procedures, have gone up in recent times, and the wordings vary from company to company, making it a little confusing for customers," said Sanjay Datta, Chief-Underwriting and Claims, ICICI Lombard General Insurance.

"Some of the congenital and pre-existing diseases should be seen in the light of recent developments in healthcare, and the same is true for procedural exclusions. The discussions (of the working group) could be centered around how to position these and some of the new ones that are coming up in the context of health insurance," said Datta.

A source of dispute
According to P Nandagopal, Founder and CEO, Insurance Inbox, exclusions and the way they are worded are the biggest source of dispute between the insurer and the insured.

"The standardization and rationalization of exclusions will help customers get better understanding of their health insurance policy, and will also ensure uniformity in the claims process across the health insurance industry, thereby reducing customer grievances," said Anurag Rastogi, Member of Executive Management, HDFC ERGO.

Source

"However, it is important to be careful as 'over standardization' may curb 'innovation'," said Rajive Kumaraswami, MD and CEO, Magma HDI.

Back

India: Lack of awareness, affordability and low understanding hampers health insurance growth – Asia Insurance Review

The IRDAI is pushing for simpler products and greater usage of technology to increase the number of people covered by health insurance plans.

"Low risk awareness, lack of affordability and low understanding of insurance products—these are some of the reasons why health insurance has not picked up so well even though the growth rate is high for the higher income group as a whole," said Mr. Subhash Chandra Khuntia who became IRDAI chairman in May. He was speaking at the Health Insurance Summit organized last week by the Confederation of Indian Industry.

"There should be simplification and rationalization of health insurance products so that they are understood by the common people," he said. The IRDAI moves aim too to make the central government's ambitious Ayushman Bharat-National Health Protection Mission (AB-NHPM) more accessible.

The insurance regulator will work with health insurance companies under the public-private partnership model to implement AB-NHPM, popularly known as Modicare named after Prime Minister Narendra Modi. "With the increase in life expectancy in the country, the need for improving insurance penetration and coverage is paramount," Mr. Khuntia said.

"The focus should be to make the process online, enhance use of technology, and increase awareness and understanding about insurance products." Standardized and simple products under AB-NHPM would reduce cost, increase efficiency and expand the coverage of the health insurance sector, he said.

Source

AB-NHPM aims to cover around 100m families comprising about 500m people.

Back

Motor Insurance

Supreme Court auto order: Non-life insurers find going tough - The Economic Times – 3rd august 2018

Non-life insurers have pointed out to challenges in implementing the Supreme Court (SC) order asking them to issue three-year and five-year insurance policies for new four-wheelers and two-wheelers, respectively. Non-life insurers have recommended bifurcating the mandatory third-party insurance cover and the optional 'own-damage', or comprehensive insurance cover, which compensates for vehicle damage.

A key challenge will be in pricing the long-term cover given current regulations and practices. Currently, insurance commission is paid up-front. Additionally, capital has to be set aside based on premium collected while the advance premium cannot be recognized as earnings. This will increase the capital requirements for non-life companies. The price of third-party cover is revised every year, depending on compensation awards in the previous year. Since awards go up every year the absence of annual revision would hurt insurers.

Digit Insurance chairman Kamesh Goyal said, "On the one hand, the SC has asked insurers to ask for a PUC (pollution under control) certificate at point of sale (PoS) of policies, while another bench has asked for Longterm policies. If policies become long-term, with the PUC validity being only six months, it negates the first proposal of the SC."

Last month, the SC ordered that no new vehicle could be sold without a three-year cover for four-wheelers and five-year cover for two-wheelers. The order comes into effect from September 1. The court order followed the recommendations of a SC-appointed committee on road safety. The objective was to reduce the number of uninsured vehicles on Indian roads. Goyal has suggested that instead of putting the onus of enforcement on the insurance companies, insurers could pay the distribution charges to police, who could issue on-the-spot policies to those caught without mandatory cover.

If insurance regulator IRDAI were to allow bifurcation of the motor insurance into a third-party and a standalone comprehensive cover, it would require extensive changes to the insurers' IT systems. Additionally, companies said that getting the products in place and IT systems changed in one month will not be possible.

Source

Since the stand-alone third-party insurance cover is a loss-making business, insurers do not actively market this cover.

Back

Crop Insurance

Centre to crack down on delays in crop insurance claim payouts - The Hindu Business Line – 9th August 2018

To fix accountability, the government now proposes to slap 12 per cent interest on delayed crop insurance claim payouts under the Pradhan Mantri Fasal Bima Yojana (PMFBY).

Aware that there are challenges when implementing such schemes on a mammoth scale while maintaining transparency, Agriculture Minister, Radha Mohan Singh, told Business Line that "we want to ensure that the affected farmers are compensated in time."

For the purpose, he said, "We are considering a proposal to levy 12 per cent interest on claim payments that are not settled within two months. Whoever is responsible for the delay — be it the crop insurance firm or the State government — may have to bear this interest," Singh said. He, however, did not elaborate when the measure would roll out formally.

The PMFBY guidelines stipulate the settlement of claims within two months of harvest and within 21 days of receipt of yield data by the companies from the State governments.

According to Singh, there have been many teething issues relating to PMFBY implementation for all stakeholders, particularly for State governments, as the scheme was launched just two years ago.

Acknowledging that there has been a drop (14 per cent) in the area covered under PMFBY in 2017-18, he said: "This was mainly due to our attempts to bring in some transparency in the scheme by adopting technology. In the early days of PMFBY, as the scheme was heavily subsidized, the area covered in many places was more than what should actually be covered." According to government data, the percentage of total cropped area covered was 29 per cent in 2016-17, it came down to 25 per cent in 2017-18. "Say, for instance, a village had 200 hectares under notified crops, and thus was eligible for insurance cover, the area covered used to be more than 200 hectares. But, the increasing adoption of technology is making such frauds difficult," said Singh.

Source

While only 10 lakh non-loanee farmers enrolled for PMFBY during the last kharif season, the number has gone up seven times to 70 lakh farmers, according to the latest estimates, the Minister said.

Back

Loan waivers, normal monsoon lead to 15% drop in crop insurance enrolment in FY18 - The Hindu Business Line – 3rd August 2018

PMFBY enrolment

States	2016-17	2017-18	drop by per centage
Karnataka	27,37,667	16,01,511	42
Rajasthan	91,50,224	60,12,084	34
Uttar Pradesh	67,67,276	52,90,261	22
Bihar	27,14,270	22,34,483	18
Maharashtra	1,20,01,215	1,00,53,750	16

The 15 per cent drop in farmer enrolment under the Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2017-18 as compared to 2016-17 was due to announcement of debt waiver schemes by the States like Maharashtra, UttarPradesh, perceived risk reduction on account of better monsoon and deduplication in Aadhaar made mandatory for coverage, the Government told the Rajya Sabha on Friday.

As against an enrolment of 5.72 crore under the government-sponsored crop insurance scheme in 2016-17, only 4.87 crore farmers opted for scheme in 2017-18.

Parshotam Rupala, Minister of State for Agriculture and Farmer Welfare, said in a written reply that the Government has allocated Rs. 13,014.15 crore for PMFBY in 2018-19 as against Rs. 9,419.79 crore in the previous fiscal. The maximum reduction in enrolment was in Karnataka where the numbers dropped by 42 per cent, followed by Rajasthan where it went down by 34 per cent. The drop in enrolment was 22 per cent in Uttar Pradesh, 18 per cent in Bihar and 16 per cent in Maharashtra.

Source

The PMFBY enrolment, on the other hand, went marginally up in the States like Andhra Pradesh, Odisha, Telangana and Sikkim. Exception, however, was Jharkhand where the enrolment in 2017-18 was about 34 per cent higher than the previous year.

Back

Pension

EPFO to be sole regulator for all categories of PFs: Parliamentary panel to Labour Ministry - The Economic Times – 9th August 2018

A Parliamentary panel has suggested that retirement fund body EPFO should act as the sole regulator for all categories of provident funds particularly private PF trusts. "The committee has strongly recommended that the government, if required, may amend various Acts and authorize Employees' Provident Fund Organization (EPFO) to act as sole regulator for all categories of provident funds."

It said that ministries of finance and labour informed that a consensus has been developed in the government departments that the EPFO should act as sole regulator for all such provident funds trusts including those managed by the exempted, excluded and other categories of organization or establishments.

The Committee is convinced that a strong regulatory system should be in place for all PF trusts. At present the panel noted that the EPFO is not the sole PF organization or regulator in the country. The provident fund of private establishments/organization/PSUs largely come under the EPFO purview.

There are two categories exempted and excluded. Under the exempted categories, the EPFO has the power to exempt large organization from depositing EPF with the body. The EPF can be maintained by a trust created by the organization for the purpose.

Under the excluded category, a particularly industry's PF has been excluded from purview of the EPFO under various Acts. These provident funds regulated by different ministries like shipping, coal, railways, banking, government PF and other PFs. The panel observed that there is no formal regulating system for organization on matters of PF under the PF Act 1925 and the excluded category of PF is not regulated either by their respective ministry or the EPFO.

It was of the view that various organisations or establishments which fall under excluded category have themselves developed their own rules, which, many times, are not in the interest of the employees, workers or labourers and leade to no discipline on the type of investments made from the PF corpus.

The committee said, "It has been noticed that various banks managing their own PF, sometime attach the PF credit/contributions in the name of disciplinary action, which is arbitrary and illegal. Therefore there is a need to establish norm by Labour Ministry to act as guidelines to these organisations for formulating their rules for the sake of uniformity as well as for the welfare of their employees.

Source

The panel also asked the Labour Ministry to collect with regard to total number of PF trusts under the PF Act 1925, the number of subscribers, total contribution from subscribers, so that unclaimed amount lying in these trusts can be identified or utilized for the benefits of its subscribers.

Back

Private sector NPS: Option for 75% equity investment by month-end, says PFRDA chief - The Hindu Business Line – 9th August 2018

Private sector subscribers to National Pension System (NPS) would get the much-awaited facility of opting for maximum equity exposure of 75 per cent under the active choice by this month end, a top PFRDA official said.

“There were some technical issues (at the end of CRAs). We have sorted them out and they (CRAs) have said it would be available from this month end,” Hemant Contractor, Chairman, PFRDA told Business Line here.

Contractor said this facility would get operational by the end of this month. "There is no issue about approvals. The PFRDA board has already given the nod," he added.

It may be recalled that the Pension Fund Regulatory & Development Authority had earlier this year increased the cap on equity investment in active choice by private sector subscribers of NPS to 75 per cent from 50 per cent. The earlier 50 per cent equity cap was seen to be too low for young workers who dominate the NPS subscriber base.

Currently, the private sector NPS corpus stands at about ₹38,000 crore. Since 2009, the year of private sector NPS launch, the funds invested in equities have given an average annual return of 11 per cent. While monies invested in corporate bonds have given a return of 8 per cent, those invested in G-Secs gave a return of about 7 per cent.

Total subscriber base

Currently, NPS has a total subscriber base of 2.26 crore with total corpus of ₹2.57 lakh crore. In 2017-18, NPS corpus grew a whopping 37 per cent.

About 82-83 per cent of the total corpus came from Government-NPS, which was launched in 2004.

Contractor said that all the States except West Bengal have adopted NPS. "Till recently, only two States were out of NPS. Tripura has also joined NPS from July 1 becoming the 28th State to do so. The only State that is still out of NPS is West Bengal," he said.

Contractor said pension monies have now started to flow into 'A' credit-rated corporate bonds.

The PFRDA had, post this year's Budget announcement, given its nod for a change in the investment grade rating to 'A' from 'AA' for corporate bonds.

However, pension funds cannot invest more than 10 per cent of their overall corporate bond portfolio in 'A' rated bonds, the pension regulator had stipulated.

This initiative was expected to enlarge the scope of investment for fund managers while ensuring credit quality.

CABs & SABs

Contractor said there has been a good response from both Central Autonomous Bodies (CABs) and State Autonomous Bodies (SABs) to NPS. In fact, the SABs are showing much better response, he said.

In 2017-18, as many as 272 SABs joined NPS and in the first four months of this fiscal about 40 SABs have joined, he said. In 2017-18, the total number of CABs joining NPS stood at 27 and in the first four months this fiscal about 11 have joined.

Source

Back

Insurance Cases

Insurance firm fined for keeping client in dark – The Times of India – 7th August 2018

An insurance company has been directed to pay Rs 35,000 to a resident of Kharar for keeping her in the dark about the policy term.

The District Consumer Disputes Redressal Forum has also directed Aegon Religare Life Insurance Company Limited in Sector 17, Chandigarh, to refund Rs 1.5lakh to Satwinder Kaur that she originally invested in the policies.

Satwinder, in her complaint, had alleged the agent of company had lured her to invest Rs 1.5 lakh on two policies for a period of three years, promising handsome returns on maturity.

Later, she learnt that the said policies were not for three years, but for a period of 16 years. She requested the insurance company to refund the invested amount, but to no avail. She even approached the Insurance Ombudsman, but did not get any respite.

Thereafter, Satwinder filed a complaint before the District Consumer Disputes Redressal Forum, UT, in 2014. During the proceedings, she was advised to wait for five years, after which she would get the invested amount along with other benefits as per the guidelines/notification.

Accordingly, Satwinder withdrew the complaint with the liberty to file a fresh complaint on the same cause of action. After completion of five years, she wrote to the insurance on May 20, 2016, requesting to refund Rs 1.5 lakh deposited in the aforesaid policies, but to no success. The insurance company pleaded that the complainant was at liberty to return the policy along with a letter stating the reason for disagreement within a period of 15 days of receipt of policy document.

During this "free-look period", the policy was to be cancelled and the premium was to be refunded to the complainant. However, Satwinder did not opt for "free look option". The company also said that after the issuance of the insurance policies, the contract was signed between and being a legal document, its terms and conditions were binding on both the parties.

The company said since the complainant violated the terms and conditions of the policy document, therefore, she was not entitled to any compensation whatsoever. The forum after hearing both sides said, "We feel that as the complainant was not made aware about the terms and conditions of the policies, she could not exercise her option of free look period. Hence, we feel that the complainant is entitled to get the refund of premium amount minus the statutory charges which are applicable at the time of the free look period."

Source

Back

Insurance firm told to pay Rs 14 lakh to bereaved parents – The Times of India – 6th August 2018

An insurance company's argument that not a single paise should be paid to bereaved parents of a bachelor under the "loss of love and affection" category did not go down well with the high court.

The court not only turned down the claim but also directed United India Assurance company to pay Rs 14.2 lakh with 9% interest compensation to Siddalingaiah and Shivamma of Kunuru village in Kanakapura taluk and bereaved parents of Mahalinga, who died four years ago in a road accident.

The HC noted that the Motor Vehicles Act is enacted in favour of claimants. "One merely needs to place oneself in the shoes of bereaved parents to imagine their plight, and consider that they have been left emotionally starved as they can't possibly find psychological substitutes for their children. For this reason, no upper limit of compensation can possibly be prescribed by a court," a division bench headed by Justice Raghvendra S Chauhan observed.

The court said the sudden loss of a son or daughter, that too, in the prime of their youth, is a terrible blow to their youth, is a terrible blow to their parents and any amount of monetary compensation cannot fill the vacuum. The insurance company, which challenged the tribunal's award, contended that since the deceased was a bachelor, the parents were not entitled to receive a single paise as compensation.

Tribunal awarded Rs 15.7L.

Mahalinga died on August 19, 2014, when he was riding a bike from Kalegowdanadoddi to Shivanahalli. When he reached Shivanahalli Junction on Kanakapura-Santhoor Road, another bike on the extreme left of the road dashed against his. An injured Mahalinga died in hospital.

In its ruling on November 5, 2016, a motor accidents claims tribunal in Bengaluru directed the United India Assurance company to pay Rs 15.7 lakh along with 9% interest to the bereaved parents. The tribunal awarded Rs 13 lakh towards loss of dependency, Rs 1 lakh each for loss of love and affection and loss of marriage prospects and Rs 25,000 for funeral expenses. The high court, however, held as legally unsustainable the tribunal awarding Rs 1 lakh towards loss of expectancy of life and Rs 50,000 for loss of marriage prospects.

Source

Back

Aborted take-off: insurance claim unlikely for Jet passengers – The Hindu – 4th August 2014

For the 142 passengers who had to slide down the emergency chutes of a Jet Airways aircraft, after it skidded off the runway following an aborted take-off in Riyadh on Friday, the hope of making claims against their travel insurance appears bleak.

Bandra resident Navneet Bagga, a consultant with Delloitte, finally returned to Mumbai on Saturday morning a 24-hour delay, during which he had to brave it out in the airport, waiting for baggage to be retrieved and then share a hotel room with two others, to find out that his travel insurance claim had been turned down.

"A reply to my email on claiming my travel insurance from Bajaj Allianz revealed that such an incident is not covered," Mr. Bagga, who injured his hand during the evacuation, said.

Jet Airways said that of the 142 passengers on board flight 9W 523, 77 were accommodated in a hotel, 40 left for home and 36 remained seated in the lounge. The aircraft skidded off the runway after the pilots braked hard to abort take-off after spotting a "barrier".

A Jet Airways spokesperson said that the airline would decide on compensating the passengers only after the probe into the incident was completed. Besides putting them up in hotels, Jet Airways also operated a relief flight from Riyadh to Mumbai to bring in the passengers.

Travel insurance, like the one sought by Mr. Bagga, covers hospitalisation, loss of baggage and other incidental expenses. Some travel insurance also covers passengers against trip cancellation, trip curtailment and burglary of your home during the trip.

'Extraordinary situation'

Sudhakara Reddy, president, Air Passengers' Association of India (APAI), termed the situation as extraordinary. "It's true that the passengers had to go through a stressful situation. But insurance doesn't kick in unless there is injury, need for hospitalisation etc," he said."Once the probe is through, the airline will have to compensate the passengers," Mr. Reddy said.

Source

Back

IRDAI Circular

Source

Updated List of Non-life Insurers is available on IRDAI website.

Source

List of Reinsurance Branches is available on IRDAI website.

Back

Global News

Myanmar: Insurers allowed to sell short term endowment policies – Asia Insurance Review

Insurance companies in Myanmar including state-owned Myanma Insurance and 12 private insurers have been allowed to provide short term endowment life insurance policies as part of their product portfolios, said Daw Sandar Oo, chair of Myanmar Insurance Association (MIA) and managing director of Myanma Insurance.

On 3 August, Grand Guardian Insurance (GGI) became the first insurer to offer short term endowment life insurance in Myanmar, reports Myanmar Times.

Currently, Myanma Insurance provides 26 types of insurance and private insurance companies provide 13 types of insurance, including general, fire and vehicle insurance policies.

The endowment policies provided in Myanmar will have a term of five years, seven years and 10 years and accrue at a rate of 6%. The policies are available for those aged between 10 and 60. Policyholders can be insured for a minimum of MMK1m ($680) to a maximum of MMK50m, according to U Myo Naung, managing director of GGI.

Benefits of the policy include maturity benefits, death benefits and permanent total disability benefits. Currently, fire insurance, motor insurance, group life insurance, special travel insurance, health insurance and marine cargo insurance are the more popular policies in Myanmar, according to Global World Insurance.

Source

Back

South Korea: Insurance institute to develop pet insurance – Asia Insurance Review

The Korea Insurance Development Institute (KIDI) has announced that it is working to develop the nation's first pet insurance model.

With the new insurance model, dog and cat owners can get a payout of about KRW1.5m ($1,340) by paying KRW20,000 a month, among other benefits, reports Korea Biomedical Review.

With rising income, changing times, and shifting perspectives on animal rights, more than 10 million Koreans currently have pets. The number of animal pets has grown 83% from 4.7m in 2010 to 8.7m in 2010. Concern over pet health is becoming increasingly widespread in Korea. The number of animal hospitals dedicated to diagnosing and treating pets have also been increasing in the country.

Despite the explosive growth of pets, services aimed at pets have been criticized for being insufficient. Pet insurance has been called particularly lackluster with many owners citing that they struggled with financial difficulties due to a lack of pet insurance when their pets fell ill.

Source

KIDI is a not-for-profit membership corporation established to protect the interests of policyholders and contribute towards the development of the insurance industry.

Back

Thailand: Prospects look good for continued premium growth for rest of the year – Asia Insurance Review

Better economic prospects, with a pick-up in consumer purchasing power, should support continued premium growth for Thailand's motor, industrial and property and marine insurance segments for the remainder of 2018, says Fitch Ratings.

However, profitability could be constrained by intense price competition following premium deregulation for non-life insurance products.

Insurers that protect their business margins by monitoring product risk-reward metrics and developing efficient business operations are more likely to buffer potential volatility from the intense competition, particularly in the motor segment, which has a steadily weakening loss ratio, Fitch says in its report titled "Thailand Non-Life Insurance Dashboard 2018".

The international credit rating agency expects new market players to emerge from possible amalgamations and the regulator's framework for new product innovations, which could further increase competition. Newcomers could also promote innovation in products, services and administrative management, which would further reinforce the industry's business capacity.

Fitch expects Thai's non-life insurance sector, which holds stable and liquid investment assets, to weather any business volatility and meet its obligations. The sector exhibits consistently solid capitalization and is likely to maintain capital ratios above the regulatory minimum following the 2019 implementation of the second phase of the risk-based capital framework, according to the Office of Insurance Commission.

Source

Back

China: Authorities to promote reverse mortgages nationwide – Asia Insurance Review

China is set to promote reverse mortgages nationwide as an alternative to traditional pension products.

The decision to go national was made despite the fact that results have been lackluster for the first reverse mortgage pilot scheme, reports Shanghai Securities News. Very few insurers offer the scheme. The enthusiasm of potential customers for reverse mortgages is also lower than expected.

The pilot reverse mortgage scheme started on 1 July 2014 in Beijing, Shanghai, Guangzhou and Wuhan, targeted at those aged over 60 who have full and legal rights to their residential property. Originally set to run till July 2016, the pilot scheme was extended to 30 June 2018 and its scope was expanded to municipalities, provincial capitals, cities with independent planning status, as well as prefecture level cities in Jiangsu, Zhejiang, Shandong and Guangdong.

Factors

There are many reasons for the cool response to reverse mortgages.

From the perspective of insurance companies, the design of reverse mortgages is complex and the risk dispersion mechanism is imperfect. The scheme also offers insurers little profit.

Greater resistance to reverse mortgages comes from the traditional beliefs of the elderly who hold on to the concept of "having children to look after one in old age".

In addition, the legal system related to reverse mortgages and legal protection for insurance entities is insufficient, thus increasing legal risks.

However, three factors will support the rise of reverse mortgages. First, demographic changes mean changes in family intergenerational relationships and empty nests; second, the level of old age security is limited in China and there is a need for pension channels to be diversified; third, the proportion of self-owned housing is large, and the value of housing assets is rising.

In order to stimulate market demand for reverse mortgages, the industry has called for policy support as well as improvement to laws and regulations.

Source

There are also suggestions to expand the scope of reverse mortgages from residential property to other types of real estate, such as commercial real estate, shared property housing, rural household contracted land use rights,

Back

China: Mileage based motor policies to make debut soon – Asia Insurance Review

Four property insurance companies are set to have "pay as you drive" motor policies approved by the CBIRC. The four are PICC, Ping An, Sunshine and Zhong An. Their mileage based motor policies of the four insurers recently passed a review by the Insurance Association of China (IAC).

Once approved, a pilot scheme for "pay as you drive" motor policies will be implemented in Guangxi, Shaanxi and Qinghai, reports Shanghai Securities News.

This is regarded by the insurance industry as a milestone breakthrough in the domestic auto insurance arena.

Forecasts are that by 2020, the market share of mileage based motor insurance will not be lower than 20-25%, with the annual premium volume between CNY250bn ($37bn) and CNY300bn.

The introduction of mileage based motor insurance means that pricing of auto insurance will see some innovation. The traditional pricing model with a single dimension will be broken. The new system will benefit not only those who have low mileage but also provide opportunities for small and medium sized insurers.

Source

Several factors favour the implementation of "pay as you drive" motor policies. Firstly, the increasingly tight traffic environment in large cities in China provides a market for mileage based insurance. Secondly, telematics and technological advances such as the Internet of Things and sensor technology provide the foundation for motor insurance innovation as well as more precise auto insurance pricing.

Back

Malaysia: Doctors call for universal health insurance – Asia Insurance Review

The Malaysian Medical Association (MMA) has voiced reservations over a proposed insurance scheme for those in the B40 group (bottom 40% in terms of income), suggesting instead a compulsory social health insurance for all.

In a statement, MMA president Dr Mohamed Namazie Ibrahim said the compulsory social health insurance scheme should be in line with the principle of universal health coverage that is endorsed by the World Health Organisation, and to be managed by a "not-for-profit" National Health Financing Authority, a statutory agency answerable to the parliament.

"The role of the Health Ministry needs to be re-evaluated as it currently has dual function as a regulatory body and as a healthcare provider that leads to conflict of interests.

MMA calls for public and various stakeholders' engagement before the proposed B40 health insurance scheme is tabled for the best outcome with a high acceptance level by the public. So far, the MMA has not been consulted on the matter. Deputy health minister Dr Lee Boon Chye has said that the proposed insurance protection scheme would be tabled in the 2019 Budget to Parliament sitting in October.

"An insurance scheme targeted at a particular segment of the population may not be sustainable," Dr Mohamed Namazie Ibrahim said.

While the middle- and high-income groups are largely covered by private health insurance provided by employers or employee health benefit schemes, he said, they would be vulnerable if they lost their jobs and the accompanying health cover.

Source

"A small percentage of this group, especially the self-employed, may have self-funded private health insurance and is again vulnerable to personal financial downturns."

Back

Australia: Govt urged to drop plan for health insurance discount for young adults – Asia Insurance Review

The federal government is being urged to scrap its plan to allow health insurance companies to offer discounts to young adults, with critics warning this will only increase the prevalence of low-value junk policies.

In the government's proposed overhaul of private health insurance last year, federal health minister Greg Hunt said the government would allow health funds to give discounts of up to 10% on hospital cover to people aged 18 to 29 with the larger aim of improving affordability. Funds will offer discounts of 2% a year for a maximum of five years.

But consumer advocacy group Choice said this plan was flawed, arguing it will lead to health funds luring young people into poor-value policies they don't need, reports The Sydney Morning Herald.

"While the cost of private health insurance is one of the top concerns that needs to be addressed, cost cannot be looked at in isolation," Ms. Katinka Day of Choice said.

"Discounted private health insurance cover isn't worth it if you don't need the cover in the first place."

She said despite a range of carrots and sticks such as government rebates, Medicare Levy Surcharge and Lifetime Health Cover Loading, young Australians continued to be less interested in health insurance than other age groups.

Source

"If existing incentives for young people to take up [insurance] are not proving to be successful, an age-based premium discount for hospital is likely to be no different."

Back

Sri Lanka: Govt acts to introduce insurance for monks – Asia Insurance Review

The government has decided to introduce an insurance scheme for Buddhist monks.

The proposal for this purpose has been submitted to the cabinet of ministers for its approval, Buddha Sasana Ministry sources said.

This insurance scheme will cover Buddhist monks serving in state institutions, teaching in government schools as well as student monks in pirivenas or monastic colleges, reports Times online.

Thousands of student Buddhist monks are receiving education in over 720 pirivenas, the oldest specialist Buddhist education establishment in Sri Lanka.

Source

Over 10,000 monks are currently serving in government institutions mostly in schools as teachers, a senior official of the Ministry revealed.

Back

Malaysia: Insurance scheme for low income groups to be tabled in Oct – Asia Insurance Review

The Health Ministry is in the final stage of drawing up a health insurance protection scheme for those in the B40 group (bottom 40% in terms of income) to help them obtain affordable treatment at government and private hospitals.

Deputy Health Minister Dr Lee Boon Chye said the proposed insurance protection scheme would be tabled in the 2019 Budget to Parliament sitting in October, reports the Bernama news agency. He said a minimum rate that would not burden the B40 group would be set as the premium for the insurance coverage.

"As an example, the government could provide insurance protection of between MYR10,000 ($2,450) and MYR20,000 a year per family for their hospital bills," he said.

He was responding to a suggestion by a former health director-general, Dr. Mohd Ismail Merican, for the government to introduce a mandatory health insurance scheme to cover increasing healthcare costs.

In April, Health Minister Dr S. Subramaniam said that the government was introducing the Voluntary Health Insurance Scheme this year to help those in the B40 group obtain health treatment in private clinics, with the costs borne by the government. The scheme could utilise existing capacity in the private healthcare sector.

Source

Dr Subramaniam said the scheme would be managed by his ministry and supervised by the Finance Ministry, with the aim to reduce the gap in healthcare services between the government and private sectors. He said a thorough study would be carried out on private clinics, as well as the costs involved.

Back