



Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

14th - 20th April 2017

• Quote for the Week •

“The soul that reigns within is independent and creates the desire for freedom.”

- Swami Vivekananda

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Life Insurance

Non-disclosure of other insurance policies not fraudulent concealment: NCDRC - The Economic Times - 13th April, 2017

Non-disclosure of other insurance policies cannot be considered as fraudulent concealment, the apex consumer commission said while asking an insurance firm to pay Rs 15 lakh to kin of a man whose claim was rejected.

The National Consumer Disputes Redressal Commission (NCDRC) asked the Aviva Life Insurance Company Ltd to pay the claim to Gujarat resident Rekhaben Ramjibhai Parmar, wife of the insured, late Ramjibhai Parashotambhai Parmar.

"In our opinion, the non-disclosure of other insurance policies does not fall within the ambit of ... the Insurance Act, as the concealment was neither wilful nor fraudulent," the commission bench headed by its president justice D K Jain said.

The apex commission, while upholding state commission's order allowing the plea of Rekhaben against the district forum's verdict, said the agent himself had admitted that it is the normal practice that in non-medical policies, the question regarding existence of other insurance policies is not asked.

"By no stretch of imagination it can be held to be a material fact fraudulently suppressed, entitling the Insurance Company to repudiate the claim on the stated ground," the apex consumer bench said.

According to the complaint filed by Rekhaben, her husband had taken an insurance policy with the firm for Rs 15 lakh for the period of March 31, 2008 to September 30, 2009.

He was admitted to a hospital due to breathing trouble on April 13, 2008 which turned out to be pneumonia and he expired the next day itself, the complaint said.

The claim was repudiated on the ground that the insured had not disclosed information regarding other policies of more than Rs 20 lakh which he had taken from other companies.

The insurance firm contended that had it been declared, the Company would have got an opportunity to decide whether the policy was to be issued or not. Hence, they claimed that there is no deficiency of service on their behalf for repudiating the claim.

The district forum dismissed the claim of Rekhaben against which she approached the state commission which asked the firm to pay the claim and othe benefits payable under the insurance claim.

The company's revision petition was dismissed by the apex consumer commission.

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Don't surrender your insurance policy at a loss - Business Standard - 15th April, 2017

Ganesh Shankar, 68, was coaxed into buying a unit-linked insurance plan (Ulip) by his relationship manager. The 10-year plan has an annual premium of Rs 1 lakh. When Shankar received the policy statement in the third year, he realised that the value of the Rs 2 lakh premium he had already paid was down to Rs 92,000. The policy had a sum assured of a mere Rs 1 lakh. Now he wants to stop paying further premiums and surrender the policy.

Like Shankar, many don't realise that with higher age, the premium for life cover also increases and eats into the funds allocated for investment. Only after the first or second year do investors realise their mistake. Making a hasty decision to surrender the policy may not, however, be in your best interests always. Many reports in the past have shown that when buyers surrender their investment-cum-insurance plans, they only add to insurers' profits.

Not everyone wants to surrender his policy due to erosion of wealth. There are other reasons, too. An individual could be moving out of the country and may prefer to buy an insurance cover in the country of residence. Also, insurance plans vary in nature. There's no standard answer to the question of whether surrendering a policy is the best option. Even among Ulips, the answer depends on whether the policy was bought before or after the laws were overhauled.

Shankar is lucky to have bought his Ulip after the regulator overhauled the charges for the category. Just over seven years earlier, insurers paid commissions as high as 90 per cent of first-year premium to agents. Ulips of those days offered a nasty deal to investors, though the high costs charged from them were very profitable for the insurance company and the agent selling the product. Regulatory changes have fortunately turned matters substantially in favour of the investor. Ulips are no longer a bad word and may be considered by an investor who knows what purpose or goal the product will serve in his financial plan.

Ulips bought before 2010

An investor who has stayed with the old Ulip for a long time has got over the hump. High charges have already been applied in the initial years. Now, the returns would have improved to be at least at par with fixed deposits. Even if you had bought a policy that invests all the funds in equities, in say 2007-08 when the market was close to its peak, you would still be in profits. If you have diligently paid the premiums, you should begin to see the benefits now. Things will get better with time as the charges will be lower going forward. A policy with all the investments in debt funds would be giving returns at par with bank fixed deposits by now. If your policy has a tenure of 10-15 years or more, stay with it. With professional fund management, your returns should get better in the future.

A person who had bought a ULIP about a dozen years ago and not contributed to it after three-four years needs to check the terms of the policy. Some old policies require that premiums be paid for at least three years, and others require it to be paid for at least five years. The policy may have lapsed due to non-payment of premium. If it has not lapsed, the investor should wait until maturity as the investment value is likely to be higher than if he surrendered it now.

Ulips bought after category overhaul

In the past, not many investors were aware that they should keep insurance and investment separate. For them, insurance was among the most preferred avenues for investment. Today a rightly chosen Ulip can be a competitive investment, but the investor needs to be able to ensure that his relationship manager has put him ahead of the commissions that the product pays. A bad product is best surrendered.

The revamp in insurance regulations has led to greater clarity about costs for investors who seek it. The disadvantage of a large upfront commission can be covered over the long term with the mortality charges and other costs dropping as a proportion of the annual premium. An investor would recover most of the costs and also pay no surrender cost on a policy held and kept current by paying the premium for at least five years. Surrendering a policy before five years, on the other hand, means losing all or most of the premium paid.

The tax benefit under Section 80C on investment in life insurance is available only if the sum assured is at least 10 times the premium paid. On surrender of the policy before five years, the tax benefit claimed earlier is reversed and tax has to be paid. However, surrender value is tax-free if the policy is surrendered after five years. The death benefit is tax-free at any time under Section 10 (10D) of the Income Tax Act.

Surrender value

The surrender value of a life insurance policy depends on the type of policy and its terms, which vary from one insurer to another. No charge is levied if a Ulip has been kept alive and the premiums have been paid regularly for five years.

The surrender value of a traditional plan is calculated by the following formula: (number of premia paid/total number of premia) X sum assured. For example, a 20-year endowment policy with an annual premium having a

sum assured of Rs 10 lakh for which the premium has been paid for 10 years will have a surrender value of Rs 5 lakh $((10/20) \times 10,00,000)$. With early surrender, the investor loses some premium paid and returns.

Term plans have only a death benefit and no surrender value. A Rs 25 lakh term policy will pay Rs 25 lakh on death. The policy lapses if the premium is not paid and no money is returned to the policyholder. This is the cheapest insurance for pure risk cover. Sensible individuals should buy a term plan to fulfil their life insurance needs.

To surrender a policy, you have to fill a form and submit it with the insurer. Documents to be submitted for policy surrender include policy surrender form, policy bond or document, a self-attested copy of ID proof, a cancelled cheque or a bank attested account statement or a bank-attested copy of the passbook.

When to exit

Source

- If you have completed eight years or more in a traditional plan
- If you have completed the mandatory lock-in of five years in new Ulips
- If the sum assured is not 10 times the premium

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Life insurers see 26% rise in new business income – The Economic Times – 18th April, 2017

New business premium income of life insurers increased 26% in the year to March 2017, with the biggest state-run behemoth spearheading the industry's expansion through individual single-premium policies amid falling deposit yields and surging liquidity.

State-run Life Insurance Corp. outpaced private insurers with 27% growth, compared with 24% for its rivals, aided by an 84% expansion in LIC's single-premium revenue in the period.

According to the latest data collated by the Life Insurance Council, new business premium for the industry was at Rs 1.75 lakh crore in FY17, up from Rs 1.35 lakh crore in the previous financial year. Private insurers saw new business premium at Rs 50,625 crore, up from Rs 40,983 crore in FY16.

However, the private sector has seen around 21% growth in income from both individual single premium and individual regular premium products. Growth in individual regular premium is considered more beneficial for the industry, as income flow is for a longer tenor and cost of acquisition is spread out over the life of the policy.

For LIC, annuity plan Jeevan Akshay saw good inflows when the interest rates started falling. LIC saw its individual single new business premium expand 84% to Rs 23,412 crore. SBI Life witnessed the highest expansion among large life insurers, registering a 42% growth in total new business premium to Rs 10,145 crore, aided by sales in regular premium policies and group individual policies.

It has become the first private life insurer to cross Rs 10,000 crore in generating new business premiums. ICICI Prudential Life Insurance saw a growth of 16% to Rs 7,863 crore as the company focused on mostly retail business — both single and regular. Its individual single premium income grew faster at 46% than regular income at 29%.

Other large private insurers, including like HDFC Life, Max Life, and Kotak Life, recorded growth of 27%-35% in the last financial year. Increase in premium income is partly due to the higher ticket size as the number of policies sold in the period declined by 1.06%, data by Life Insurance Council showed. The number of policies fell to 2.64 crore in FY17, against 2.67 crore in the year-ago period.

Source

The industry saw good inflows post demonstration, when banks were flush with excess liquidity. In an earlier interview, Arijit Basu, MD and CEO of SBI Life Insurance had said that the agency channel contributed to the overall growth in income in a big way.

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Too many life insurance policies are being dropped prematurely – Mint – 18th April, 2017

The Insurance Regulatory and Development Authority of India (Irdai), in its Handbook on Indian Insurance Statistics 2015-16, has provided persistency figures of the life insurance industry—and they are not looking good. For FY2016, the life insurance industry, on average, had a persistency of 61% in the 13th month, which means: 1 year after the sale, only 61 out of every 100 policies were renewed.

Persistency measures how long customers persist with their policies. By the 5th year of policy sale, 16 out of the 24 life insurance companies couldn't retain even a third of the policies.

Let that sink in: 5 years after being bought, two-thirds of the life insurance policies are no more. The numbers maybe better for some insurers, but the big picture is worrisome. Globally, persistency of these policies is close to 90% in the 13th month and above 65% after 5 years.

Why is persistency important?

For the industry this is worrisome as persistency is a key drivers for profitability. "A 13th month persistency of less than 80% is bad. Poor persistency impacts profitability over the long run as fixed costs get spread over a smaller base. This means that insurers are unable to achieve cost efficiencies and that keeps their expense ratio high," said Sanket Kawatkar, principal and consulting actuary-life insurance India, Milliman India Pvt. Ltd. "Most insurers have an expense ratio in double digits, and they need to bring it down to a single digit. Improving persistency is one of the ways to achieve it," he added.

For the customer too, this merits serious thought. Life insurance policies are long-term contracts and you benefit only if you stay the course of the policy. In traditional products, which most insurers sell currently, the penalty for quitting midway is harsh. For instance, if you quit in the first 2 years, the rules allow insurers to charge you your entire money as surrender penalty. In the case of unit-linked insurance plans (Ulips), while surrender costs are minimal, the front-loaded costs still impact your money.

Report card

Let's look at a few things that Irdai's handbook reveals. In terms of 13th month persistency, 17 insurers improved their record in FY2016 compared to 16 in FY2015. But, the average has improved only marginally. In FY2015, the average 13th month persistency was 59% and it increased to 61% in FY2016. This is just a simple calculation of the average and not the weighted average, which gives a more accurate picture. The weighted average will gravitate towards persistency performance of insurers that have large market shares.

For instance: Life Insurance Corporation of India (LIC), which has the largest market share, reported a 13th month persistency ratio of 63%, while ICICI Prudential Life Insurance Co. Ltd, largest private life insurer in the retail space, reported a persistency ration of 79%. At the bottom are four insurers who retained half or less than half of their policies sold in the 13th month. In FY2015, this number was six.

"If you look at the top four insurers, which cover two-thirds of the private sector, there has been a gradual improvement in 13th month persistency every year by 2-3 percentage points. This is largely due to many things like the shift in customer segment in last 4-5 years and increasing the ticket size from about Rs25,000 to Rs50,000, hence the policy purchases are more considered and not done in a rushed or obligatory manner," said V. Viswanand, senior director and chief operating officer, Max Life Insurance Co. Ltd. "However, the bottom 15 insurers are perhaps in the catch-up mode for top-line growth in their phase of evolution," he added.

However, according to Viswanand, there has been improvement in the 61st month bucket. "For many insurers the 61st month persistency has improved and that shows the change in Ulip regulations has actually led to right sale of the product, and even after the mandatory lock-in of 5 years, the policies are not being lapsed. In fact, the retention in Ulips has now come on par with traditional plans." he added.

Things have improved according to the handbook too. In FY2016, 16 insurers couldn't retain even a third of the policies they sold 5 years back. In FY2015, this number was 19. But it's not enough, says P. Nandagopal, founder and chief executive officer, OpenWorld Insurance Broking Ltd. "A persistency of anything less than 40%, at the very least, is very worrisome especially if it's reported by insurers with a huge agency channel with very high front-end costs. This means that the distributor is getting paid for top-line but poor persistency is destroying value for both customers and the company," he said.

Why is that the case?

Distribution that chases top-line is one of the reasons why persistency is low. "Take the example of sudden spurt in premium collection after demonetization. Did this mean that people suddenly needed insurance? It meant that it was easy to sell policies at that time. But did people really need it? And if not, then what will happen to these policies? They are bound to lapse. Need-based selling is what is needed in the industry," said Kawatkar. And that should be the focus area for insurers. "The fundamental value proposition for any business is to retain its

customers. Especially when you spend so much on acquiring them in the first place. When the cost of acquisition is higher than customer life-time value to an enterprise, that business is not viable," added Nandagopal.

The other reason why the industry continues with such poor performance is due to the fact that it sells largely savings products.

"India ranks very low in persistency compared to other Asian countries like China, Thailand and Indonesia. Persistency has been a challenge in India because bulk of the products are saving products, and the expectation is that the customer will remain invested for 10 years. But the customer changes her mind when other products offer better returns. This problem has been of a high order in India," said Ashish Vohra, chief executive officer, Reliance Nippon Life Insurance Co. Ltd. According to Nandagopal, this is largely due to the poor returns that customers get. "If you look at traditional insurance plans, the returns are abysmal year after year. Whereas customers are getting smarter, they choose to cut their losses by quitting midway," added Nandagopal.

But this begs the question, why did customers buy the policies in the first place? Lack of disclosures, coupled with hard sell, is why insurance products are bought.

In fact, even after the industry moved to selling traditional plans and despite the high surrender cost of traditional plans, customers are lapsing their policies. This reveals the nature of distribution that focuses on top-line.

Source

For you, the customer, the recourse then is to make sure you understand the policy well and see where it fits in your goals. At the minimum, you need to know what the return on your investment is in percentage terms; and if the agent can't tell, don't buy.

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General Insurance

Crop insurance drives non-life business – The Economic times – 14th April, 2017

MUMBAI: Crop insurance has helped the non-life industry record 32% growth the last fiscal and cross the Rs 1-lakh-crore mark for the first time. From nowhere, crop insurance has emerged the third largest line of business after motor insurance and health insurance following the launch of the Pradhan Mantri Fasal Bima Yojana (PMFBY) last year.

Business figures for nonlife insurance companies released by the Insurance Regulatory and Development Authority of India (IRDAI) for the year 2016-17 show that total premium income jumped to Rs 1.27 lakh crore from Rs 96,376 crore in FY16. Usually, the growth in the non-life segment reflects the growth in the real economy, new investments and sale of automobiles. This year, the industry has managed record its highest growth since liberalisation, despite absence of any new projects, due to the opening up of crop insurance.

"Of the 32% growth, nearly 16% came from crop insurance," said G Srinivasan, chairman, New India Assurance, the country's largest insurer. He added that business would be good for the topline as well as crop loss claims were expected to be around 75% of the premium. While the year has been good for farmers, Karnataka and Tamil Nadu saw crop damage due to drought. Bhargav Dasgupta, MD & CEO, ICICI Lombard General Insurance, the largest private insurer, said, "For us, crop insurance is almost 10% of total premium and it's the third biggest line of business."

This is the first year that there is a completely marketdriven crop insurance scheme. The earlier National Agriculture Insurance Scheme (NAIS) was primarily a government programme and administered by the Agriculture Insurance Corporation of India. Under the PMFBY, insurers quote market rates. However, the farmer pays only 2 percentage points of the sum insured as premium and the rest is subsidised by the government.

Dasgupta said, "We have gone in for reinsurance as the severity of claims can be extremely high and loss ratios (ratio of claims to premium) can go up to 200%." He said that next year the premium from crop insurance would be higher as the penetration is set to increase from present level of 28%. The value of the total crop insured during the current financial year would be in the region of Rs 3 lakh crore.

Besides providing cover, non-life companies aim to reduce losses by roping in weather companies and providing advice to farmers on the risks involved. According to figures released by the insurance regulator, the four public

Source

sector non-life companies -New India Assurance, National Insurance, Oriental Insurance and United India Insurance -continue to retain the top slots. However, they have grown slower than the industry at 24% and marginally lost market share.

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Motor insurance: Irdai has hiked premium for vehicles above 1000 cc by 28% - The Financial Express – 19th April, 2017

After a steep hike in premiums for third-party liability for 2017-18, the insurance regulator has now lowered the rates following protest by a section of truckers against the move to substantially hike insurance rates. While there will be no increase in premium for private cars with engine capacities below 1,000 cc, for those above 1000 cc it will cost 28% more now. The hike for two-wheelers would be 16-28% and for commercial vehicles carrying goods, it will up to 28%.

Within a fortnight Insurance Regulatory and Development Authority of India (Irdai) has revised the third-party premium twice. The final rates are much lower than what were proposed in the March 3 exposure draft and the first revision order on March 28. The final revised rates were issued on April 17 and will apply retrospectively from April 1, 2017.

In the draft exposure, the regulator had proposed a steep hike of 50% in the third-party premium rate for private cars above 1,000 cc and 16 to 50% for two-wheelers.

New rates

For private cars with engine capacity below 1,000 cc (Nano, Eon, Alto, Kwid), third-party premium will be Rs.2,055; for 1000 cc-1,500 cc (Honda Jazz, Maruti Swift, Hyundai Grand i10, Volkswagen Polo) it will be Rs.2,863. On March 28, the regulator had fixed Rs.3,132 for this category of vehicles. For over 1500 cc, (Hyundai Verna, Hyundai Elantra, Skoda Octavia, Toyota Corolla) it will be Rs.7,890 for a year. Irdai had fixed Rs.8,630 for this category on March 28.

For two-wheelers with capacity below 75 cc, third-party premium will be Rs.569. For 75-150 cc it will be Rs.720; for 150- 350 cc it will be Rs.887 and for above 350 cc it will be Rs.1,019. For commercial vehicles, the rates were lowered significantly from what was proposed in the draft exposure after intense protest from transporters across the country. In fact, the regulator has revised the mandatory-cover rate every year for the past seven years. Irdai has reduced third-party premium rates for most truck categories in the second circular. For goods (exceeding 40,000 kg) carrying vehicles and public

Irdai has reduced third-party premium rates for most truck categories in the second circular. For goods (exceeding 40,000 kg) carrying vehicles and public carriers it has been reduced to Rs.33,024 from Rs.36,120 notified on March 28. However, the rate has been increased 28% as compared to last year. It has also reduced rates for e-rickshaw and passenger carrying vehicles in its second circular.

Mandatory cover

Considering the mandatory nature of third-party insurance, Irdai has asked insurers to ensure that third-party insurance is made available at their underwriting offices and through all available channels of distribution. Insurers cannot cancel the current insurance policies and issue fresh policies to effect the new premium rates. Motor insurance comprises own-damage and third-party insurance and any vehicle that plies on the road will mandatorily need a third-party cover under the Motor Vehicles Act. Third-party liability is decided and awarded by the judiciary taking into account the age of deceased, earning capacity, wages, etc.

Unlimited liability

While the claims liability for third-party is unlimited, the new Motors Vehicles (Amendment) Bill proposed to put a cap of Rs.10 lakh for death and Rs.5 lakh for grievous injuries. However, the proposed cap was dropped. Instead, the Bill has raised the minimum compensation to Rs.2.5 lakh for grievous injury and Rs.5 lakh for death and maximum compensation claim will be unlimited. Victims have to go to the claims tribunal for the final award and the insurer will pay the amount. In fact, insurance companies have been demanding the capping of claims as the third-party portfolio of insurers make huge losses every year.

The reported claims frequency is the highest for the goods carrying segment, followed by passenger vehicles and private cars. Litigation related to the claim amount can go on for years.

Source

Non-life insurance premium grows 32% to Rs 1.27 lakh cr in FY17 as PMFBY pays off – The Financial Express – 19th April, 2017

Pradhan Mantri Fasal Bima Yojana (PMFBY) played a significant role in the growth of non-life insurance industry in the financial year 2016-17. Gross direct premium of general insurance companies grew 32% to Rs 1.27 lakh crore in FY17. Senior officials in industry estimate that premiums worth around Rs.20,000-22,000 crore would have been collected through crop insurance in the just-concluded financial year.

Insurance industry officials also believe that the 32% growth was largely due to the success of crop insurance. "Since past few years, health and motor insurance were largest contributors to the growth of the non-life insurance industry. But in the last financial year itself when crop insurance was introduced its share as a category in non-life industry has surged to 15-18%," said a senior person from the insurance industry.

He added that crop insurance comes third in terms of premium received after motor and health insurance.

Data from Insurance Regulatory and Development Authority of India (Irdai) also shows that specialised players like Agriculture Insurance Company of India (AIC) saw their premium growth of 100% in the last financial year. Senior officials in the insurance industry say that crop industry is likely to get premium of over Rs.30,000 crore in the current financial year.

The scheme, approved by the Cabinet in January 2016 has a uniform premium of 2% to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops. For commercial and horticultural crops, the farmers' premium is 5%. The rest of the premium is paid by the government.

Sanjay Datta, chief underwriting, and claims at ICICI Lombard General Insurance, said: "We were one of the few early players in the crop insurance segment and now its almost 10% of our total premium. We believe that crop insurance segment will grow by 10-15% in the current fiscal." ICICI Lombard General Insurance is present in states like West Bengal, Madhya Pradesh and Odisha among others.

The data from Irdai also showed that 18 private sector general insurers saw their gross direct premium at Rs.53,662.95 crore up by 35.16% in last financial year. While four public sector insurers grew slower than private insurers at 24.46% getting gross direct premium of Rs.59,357.92 crore in 2016-17. However four public sector insurers continued their dominant position with market share of 46.66% as compared to 42.18% of private insurers as on March 2017.

Players in the industry say that in the current financial year they might cross 1.5 lakh crore in premiums and growth would continue to come from segments like motor, health and crop insurance.

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Source

India: Insurers cheer Lok Sabha's OK for auto vehicle law changes – AIR – 19th April, 2017

Progressive amendments that promote road safety and bring more transparency to the Indian road transport system have been passed by Lok Sabha, the lower house of the Indian Parliament.

The latest amendments to the three-decade-old Indian Motor Vehicle Act 1988, will strive to bring down the number of road accident fatalities in India by 50% by 2019. Indian roads are perhaps amongst the most dangerous in the world.

In 2015, India had five lakh road accidents in which more than 1.5 lakh persons were killed. On an average, one death takes place every 3.5 minutes and 400 fatalities each day due to road accidents.

The new amendments provide enhanced compensation for road accident victims and makes penalties stiffer for violators of road traffic rules. The basic aim of the amendments is to instil a sense of road safety discipline in road users and above all to save human lives.

Among other notable features of the new provisions incorporated in the Motor Vehicle Act are an eight-fold increase in the solatium fund compensation from INR25,000 (US\$387) to INR200,000 in accidental death cases arising from hit-and-run accidents.

There are also provisions for specific timelines for processing of insurance claims. A 10-fold increase has been made in the amount of compensation awarded under a simplified process of claims disbursement where the family of an accident victim would get compensation of INR5 lakh as settlement within four months of the accident.

Drunk driving

The amendments to the law also come down heavily on drunk driving. They provide that if the driver is found drunk at the time of an accident, an insurance company has the right to straightaway reject the claim. There is no possibility of any negotiation in this regard. The claim can be duly rejected on this ground and no court will entertain the offending driver.

Mr Mangesh Gandhi, Head – Claims Legal, Bajaj Allianz General Insurance speaking to Asia Insurance Review, said that the inclusion of drunk driving as a case for the rejection of third-party liability claims is a welcome step. "Earlier, though the case was mentioned as an insurance policy condition, the same was not stated in the MV Act. Because of the latter, insurers had to pay the compensation despite the fact that drivers had been under the influence of drugs or alcohol."

While the amendments provide for avoidance of liability by insurers in such cases, to avoid liability as such, insurers would still need to amend the policy wordings at first instance and specifically incorporate such an exclusion in the policy.

"The new Motor Vehicle Act with stricter provisions will ensure road safety compliance and discipline among drivers, as now any drivers under the influence of alcohol or drugs will not only attract the penalty but the policyholder would also be legally responsible to pay compensation for any third-party losses," Mr Gandhi added. The amendments also provide for a Motor Vehicle Accident Fund, which would provide compulsory insurance cover to all road users in India for certain types of accidents.

The new law also provides for a National Road Safety Board, to be created by the Central Government through a notification. The Board will provide advice to the Central and State Governments on all aspects of road safety and traffic management.

Automobile manufacturers and road safety experts say that the amendments in the Indian Motor Vehicle Act assign the responsibility of each stakeholder and fixes their liabilities at each stage. It introduces a new integrated approach and a new way of looking at road safety.

Source

The Bill will now go to the Rajya Sabha, the upper house of Parliament, for its vote, and then the President of India for his assent.

[Back](#)**Vijayan asks general insurers to adopt more digital tools – Times of India – 9th April, 2017**

Insurance regulator Irdai has asked general insurers, which reported a 32 per cent revenue growth in fiscal 2017 at Rs 1.27 trillion, to focus on digital initiatives undertaken by it to improve market penetration and bottomlines. The industry has targeted over Rs 1.5 trillion in the current fiscal. In fiscal 2016 the total industry stood at Rs 96,000 crore.

The issue was discussed during an interaction with Irdai chairman TS Vijayan here today which was attended by heads of various city-based non-life insurers.

Today's meeting was a regular annual meeting we have with the regulator to brief him about the year gone-by and also about the new year, General Insurance Council secretary general R Chandrasekaran told.

"The non-life industry is eyeing a growth of 18-20 per cent in the current fiscal", he said, adding "the industry is looking at implementing various digital initiatives taken by the regulator to increase penetration and to save cost."

The council showcased various initiatives taken up by the body like ETASS (a portal for co-insurance transactions), a fraud analytics project and the standardisation of insured declared value of motor vehicles.

Vijayan showed a keen interest in these projects and assured support from Irdai in such industry initiatives, sources said.

"Vijayan stressed the regulator's approach to bring in more transparency and convenience riding on the digital processes," National Insurance chairman Sanath Kumar said.

SBI General managing director Pushan Mahapatra said the meeting discussed ways to increase digital footprint for customers and to achieve the desired goal of 20 per cent growth for the industry this year.

Source

He was quick to add that digital initiatives does not mean pushing online sales, rather in claim settlement and such other customer service related activities.

Reliance General CEO Rakesh Jain said the meeting discussed some projects like e-policy and e-KYC for verification which will help improve market penetration. He also said Reliance General is the first to settle claims through the Aadhar number. KD BEN NRB

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Regulations

Insurance regulator plans tighter norms for brokers – The Indian Express – 17th April, 2017

In a bid to streamline the domestic insurance broking industry, the insurance regulator IRDAI has proposed a host of stringent measures, including doubling the capital requirements for the segment. After almost 13 years since broking was allowed in the insurance industry, the regulator has taken initiatives to regulate the segment more closely. Currently, there are over 500 brokers channelising over Rs 25,000 crore of business, or 20 to 25 per cent, of the total premium in the non-life sector. The IRDAI has proposed raising the capital requirement of insurance brokers to Rs 1 crore, Rs 4 crore and Rs 5 crore for direct, reinsurance and composite brokers, respectively. The existing capital requirement is Rs 50 lakh, Rs 2 crore and Rs 2.5 crore for direct, reinsurance and composite brokers, respectively. A composite broker can do both direct insurance and reinsurance business.

The draft norms have suggested there should be cooling off period of two years in case foreign investor exits an Indian insurance broking venture and wants to reinvest in another insurance broking company.

In another measure the insurance regulator has said a person can be a promoter only in one insurance broking company.

Analysts have pointed out such a requirement needs to be extended to the insurance companies. Recently, IRDAI has allowed Prem Watsa's Fairfax to reduce its stake in ICICI Lombard General insurance to around 10 per cent and float another general insurance venture with 49 per cent stake in the country.

KK Srinivasan, former member, IRDAI, has said the proposed broking regulation that a promoter can float only one broking venture should be applied to other insurance companies also.

The regulator has proposed no payment of annual fees but instead recommended upfront 3 years fees for administrative convenience. Some of the other significant proposals of IRDAI are: Allowing risk management services to brokers, introduction of board-approved policy for comparison and distribution of insurance products, allowing co-broking based on written consent of client and on the basis of agreement (no co-broking for retail clients), CEO & CFO of insurers and CEO and CFO of insurance broker to submit an annual certificate in case they pay remuneration and other payments in excess of stipulated limits.

Consequent upon promulgation of Insurance Laws (Amendment) Act, 2015, the existing Insurance Broker Regulations would undergo a change. In addition, in the wake of the developments in the market and the experience of the last three years, there is a need to update the Broker Regulations, said the exposure draft signed by Randip Singh Jagpal, chief general manager, IRDAI.

The regulator also has restricted the professional Indemnity Policy for a broker to Rs 50 crore, Rs 75 crore and Rs 100 crore for direct, reinsurance and composite brokers, respectively.

Source

Srinivasan said there should be some simplified corporate governance regulations for brokers and more financial transparency. "They should be required to publish their financials on their website. In fact given the limited procurement role they play, there is no need for 49 per cent FDI for brokers... 26 per cent will do. They make huge profits and will drain huge away profits abroad," he said.

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IRDAI launches web portal for insurers – The Hindu – 14th April, 2017

The Insurance Regulatory and Development Authority of India (IRDAI) has launched a web portal for insurers that will allow them to register and sell policies online.

The portal — isnp.irda.gov.in — is also open to intermediaries in insurance business, Irdai said in a circular.

Last month, IRDAI had issued guidelines on e-commerce for insurance sector.

Announcing the launch of registration portal for insurance self networking platform (ISNP), IRDAI said insurance companies, brokers and corporate agents can sell and service insurance policies through this platform.

Insurers and intermediaries can create a login credential for registration and submit ISNP application form on the portal.

In its guidelines issued in March, IRDAI had said that companies may offer discounts to customers if their policies are sold through e-commerce websites.

This will help companies increase insurance penetration in the country, it said.

Source

The ISNP portal will offer a host of services, including change of policy details like name and address, collection of renewal premiums, surrender or withdrawals, fund switching, policy revival or cancellation or transfer, duplicate policy, death/maturity claim and other policy specific services, it added.

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IRDA asks insurers to upload details of POS – The Hindu – 15th April, 2017

Insurers and insurance intermediaries have been directed to share details of the Point of Salespersons engaged by them with the Insurance Information Bureau of India to ensure that such representatives deal only with their products.

The Insurance Regulatory and Development Authority of India has issued a circular in this regard advising the companies and intermediaries to upload the existing database of their POS. It also referred to the recent amendments in the guidelines on the POS, especially the clause making it mandatory for all insurers and intermediaries to cross check with the Bureau's database before engaging a POS. This is to ensure that the applicant is not engaged as POS with any other insurer or insurance intermediary.

Besides uploading the database on <https://pos.iib.gov.in>, they should start using the "functionalities of the POS portal and upload details of new POS enrolled by them as stipulated in the guidelines from April 15," the circular said.

Through the amendments, announced on March 16, the regulator had dispensed with the requirement that a POS for non-life and health insurance products need to undergo training and clear an examination conducted by the National Institute of Electronics and Information Technology. The change was in line with a similar amendment made in February for POS dealing in life insurance products.

Instead, the IRDAI mandated the insurance companies to impart in-house training of 15 hours and conduct an examination, on clearing which the candidate could be appointed as a POS. The companies are also required to enter into a written agreement with the POS at the time of appointing them.

The IRDAI had, in October 2015, unveiled the guidelines on Point of Salespersons in line with its objective to initiate steps facilitating the growth of insurance business and to enhance insurance penetration and insurance density. The POS are allowed to solicit and market only certain pre-underwritten products approved by the Authority. "The intervention required for such a product is minimal and the training and examination for such persons could be of a lesser degree," according to the guidelines.

Source

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Irdai lessens third party insurance burden – Financial Chronicle – 18th April, 2017

Insurance sector regulator Irdai on Monday reduced motor insurance premium rates in most of the segments like two-wheelers, cars and trucks by modifying the rates for 2017-18 issued three-weeks ago.

The modified 'premium rates for motor third party liability insurance cover' will apply retrospectively from April 1, the Insurance Regulatory and Development Authority of India (Irdai) said in an order.

However, the premium rates for the current fiscal are higher than those of the previous year.

As per the revised list, premium on mid-segment cars (1,000cc to 1,500 cc) has been reduced to Rs 2,863 from Rs 3,132 announced on March 28.

Similarly, premium for cars with engine capacity of more than 1,500 cc has been brought down to Rs 7,890 from earlier Rs 8,630. There is no change in cars having engine capacity of less than 1,000 cc. The premium has been fixed at Rs 2,055.

Similarly, premium has been brought down in case of two-wheelers with engine of 150 cc and more.

Irdai further said premium rates have been reduced for most of the truck categories. The new rate, for instance, in case of 'goods carrying vehicles public carriers (exceeding 40,000 kg)' has been reduced to Rs 33,024 from Rs 36,120 notified on March 28.

Source

Reduction has been also affected for e-rickshaw and other passenger carrying vehicles.

Modification in premium rates follows protest by a section of truckers against the Irdai's move to substantially hike insurance rates.

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Circulars

Source

CIRCULAR ON POS DATABASE – Circular Ref: IRDA/ Int/ POS/ GDL/ PSP/ 084/ 04/ 2017 dated 13th April, 2017

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Order of IRDAI on Premium Rates for Motor Third Party Liability Insurance Cover for FY 2017-18 – Circular Ref: IRDA/NL/NTFN/MOTP/089/04/2017 dated 17th April, 2017

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Post Launch Survey Report on IRDAI's Insurance Awareness Campaigns (2010-2015) – Circular dated 19th April, 2017

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Pension

EPFO weighs exit policy to maximize returns on investments – The Indian Express – 16th April, 2017

Retirement fund body EPFO has decided to bring out an exit policy to liquidate its investments in government securities, ETFs and state loans to maximise returns for its members. The Employees Provident Fund Organisation (EPFO) has no exit policy at present as it largely invests in government securities that have a definite maturity window. The issue was discussed at the recent meeting of EPFOs apex decision-making body, the Central Board of Trustees (CBT), on April 12 where its Chairman and Labour Minister Bandaru Dattatreya had assured the trustees of bringing out an exit policy. The EPFO is under pressure to offer higher interest rate on EPF to its around 4 crore subscribers.

The CBT had decided to provide 8.65 per cent interest on EPF deposits for 2016-17 in December last year. But the finance ministry had not approved the same and asked the EPFO to reduce it by up to 50 basis points to avoid any deficit. The EPFO had entrusted a Bengaluru-based management institute with the task of framing the exit policy, which is expected to provide a basic blueprint.

“The policy will be vetted by the EPFOs advisory body Finance Audit and Investment Committee (FAIC) at its next meeting expected soon. Thereafter it will be tabled in the CBT for consideration and approval,” an EPFO trustee and Bharatiya Mazdoor Sangh leader P J Banasure told PTI. He said, “In the absence of exit policy, the EPFO has not been able to maximise its returns on its investments. Even in the case of government securities, the EPFO can sell the bonds in open market and earn huge margin before maturity.”

He is of the view that there is no point increasing the investments in exchange-traded funds (ETF) unless the EPFO has an exit policy. Citing an example, he said the ETF investment yield was about 14 per cent before demonetisation, which fell to around 8 per cent after the note ban and but recovered to 13 per cent. Thus, the EPFO has missed the bus to earn 14 per cent on its ETF investments before demonetisation in the absence of an exit policy.

Banasure said there was a broad consensus in the CBT that there should be an exit policy for the EPFO before raising investments in the ETF to 15 per cent of the investible deposits, from the current 10 per cent. He is also of

the view that the central body can maximise returns by timely liquidating investments in bonds and state loans depending on market conditions.

The EPFO had entered the stock market by investing 5 per cent in August 2015, which was raised to 10 per cent last year. In view of the volatile nature of stock markets, the EPFO had then decided to start with investing just 5 per cent of its over Rs 1 lakh crore investible amount in ETFs. The EPFO has invested Rs 18,069 crore in ETFs till February 18.

Source

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Finance Ministry approves 8.65% interest rate on EPF – The Hindu – 16th April, 2017

The Finance Ministry is believed to have permitted the Labour Ministry to go ahead with 8.65 per cent rate of interest on employees' provident fund for 2016-17, which will benefit over four crore EPFO members.

The Finance Ministry in its communication to the Labour Ministry has, however, put a rider that the interest rate should not result in a deficit for the retirement fund. This will enable the Labour Ministry to provide 8.65 per cent rate as decided by the Employees' Provident Fund Organisation (EPFO) trustees.

According to EPFO estimates, the fund will see a surplus after providing 8.65 per cent interest rate for the last fiscal.

A reluctant Finance Ministry had been nudging the Labour Ministry to lower the EPF rate to below 8.65 per cent as approved by the EPFO trustees in December last year.

"The Finance Ministry in its recommendation to the Labour Ministry said it is up to the latter to decide on what interest rate should be given. However, it should be ensured that there should not be any deficit to the fund," according to a source.

"The Finance Ministry had earlier suggested an EPF rate slightly lower than that approved by the trustees as it wanted the interest to be aligned with the rates of small savings," added the source.

Labour Minister Bandaru Dattatreya has been maintaining that the EPFO subscribers would be provided 8.65 per cent rate of interest for 2016-17.

"The Central Board of Trustees (CBT) had decided to give 8.65 per cent. Our ministry keeps on discussing with the Finance Ministry. We would have a surplus of Rs. 158 crore on providing 8.65 per cent," Dattatreya had said earlier last week when asked whether the Finance Ministry is making a case for lowering the interest rate.

"If need be, I will talk to them (the Finance Ministry).

I have requested them to approve 8.65 per cent. In any case this amount (interest income) will be given to workers," the minister had said.

As per the practice, the board's decision is concurred by the Finance Ministry after evaluating whether the EPFO would be able to provide the rate approved by trustees through its own income or not.

Once the Finance Ministry ratifies the rate of interest approved by CBT, it is credited into the account of EPFO members for that particular financial year.

The Finance Ministry had last year also decided to lower the EPF interest rate of 8.8 per cent for 2015-16, decided by CBT, to 8.7 per cent. The decision had drawn flak from all quarters forcing the government to uphold 8.8 per cent.

The Finance Ministry has been asking the Labour Ministry to rationalise the EPF interest rate in view of lowering of returns on various administered saving schemes like PPF.

Source

The government generally ratifies the rate of return approved by CBT because the EPFO is an autonomous body and provides interest on EPF deposits from its own income.

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More captives for EPFO – The Financial Express – 17th April, 2017

Once the government raised the minimum wage, it was not surprising the Employees Provident Fund Organisation (EPFO) began clamouring for a hike in the ceiling wage beyond which monthly contributions to

EPFO are not mandatory—most organisations, though, deduct EPFO for even higher-paid employees as labour bureaucrats seem to feel it is mandatory. So, after raising the ceiling from `6,500 per month to `15,000 in 2014, this has now been raised to `25,000. Immediately, 50 lakh more employees in the organised sector will be forced to have 24% of their salaries mandatorily deposited with EPFO. Given the virtually non-existent social security India has, it is not surprising the government would want to get more people to save in EPFO-like retirement schemes, but it needs to look at the costs of doing so. Indeed, it is the high costs of the EPFO that made finance minister Arun Jaitley, in one of his budget speeches, talk of how the EPFO was said to have hostages, not subscribers—such is the EPFO's power, though, Jaitley has not managed to free the hostages to allow them to invest elsewhere.

While, till recently, the EPFO didn't even invest in the stock markets, it charged a fee that was so high—3.3% of monthly contributions—it made it the world's most expensive mutual fund. In FY15, it earned `4,904 crore on this account and even if you assume all of its `1,766 crore expenditure was kosher, it ended up with a surplus of `3,137 crore. Other government-run schemes, like the Employee State Insurance, similarly make huge surpluses from employees who have no option but to subscribe to them—the ESI's payout ratios are in the 45-50% range as compared to over 90% for most private insurers, indicating just how much extra premium it charges. Thanks to EPFO-ESI type of deductions, the Economic Survey 2016-17 points out people who earn under `20,000 a month receive only 55% of their salary in hand—this huge difference between chitthiwali and haathwali salary makes unorganised sector employment more attractive. Ironically, it is to eliminate this distortion that, for instance, the government came out with a package for the apparel industry as well as for some others that allowed workers to escape the mandatory EPFO tax. So, on the one hand, the government plans several carve-outs to allow workers to escape from the EPFO, and on the other, it makes it more difficult for workers to escape by raising the EPFO ceiling. The government's left hand, as the old saw goes, doesn't know what its right is doing.

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Global

Asia: Cyber risk management still playing catch up, but insurance demand to accelerate – AIR – Asia Risk – 19th April, 2017

Asian companies are still playing catch-up when it comes to cyber risk management, with many not having the fundamentals in place, said Lloyd's CEO Inga Beale at the recent Lloyd's Asia Cyber Risk Seminar held in Singapore.

The region's risk managers understand tangible risks well enough but evaluating threats like business interruption and reputation impact, which come with cyber breaches, is much more difficult. At the same time, pressure on companies to deal with cyber threats is intensifying.

"One of the things that's holding companies back from purchasing cyber insurance isn't not recognising that cyber is a risk for them, but not recognising what insurance can do," she said. However, she noted that APAC is seeing growth in cyber insurance purchase. While it was from a low base, Lloyd's cyber business tripled last year. She expects demand to accelerate.

Rating agencies likely to take cyber incidents into ratings assessments

She said there were increasing signs that cyber incidents may have an impact on how ratings agencies assess one's business, and adjust credit ratings downwards based on knowledge of damaging cyber incidents such as data theft and loss. "One rating agency has said it will take into account cyber incident's impact on cashflow, in relation to cost of recovery and also look at cost of upgrading security and increase in insurance premiums and fines," she said.

Lloyd's launched 15 new cyber products last year and up to 77 of its over 80 syndicates plan to write cyber. Ms Beale estimated that cyber premiums will amount to over US\$1 billion for Lloyd's, which is a 40% increase this year over last year.

Cybersecurity from the personal to multinational

Sharing on the different facets of cybersecurity from the personal to inter-government level were Mr Christophe Durand, Head of Strategy & Outreach at INTERPOL and Mr Chua Zong Fu from KPMG's Forensic team. They said that businesses should address three aspects of vulnerability: people, process and technology.

For people, Mr Durand said majority of cyber attacks could be attributed to social engineering, or fraud techniques. Mr Chua highlighted several personal best practices, including the importance of being wary of reacting to calls or emails that tapped on one's greed and fear emotions. He also advised companies to encourage an inquisitive culture, so employees would be more likely to report on what looked amiss.

"Shadow IT", a term which refers to using non-organisation sanctioned IT solutions for work, is also a risk. "IT departments should provide the right tools otherwise people will use (personal) tools like Gmail or Dropbox for work, which are totally out of organisational control," said Mr Durand.

When asked if INTERPOL was winning the war against cyber crime and what else is needed, he acknowledged that objectively, it is a struggle. There remain issues to be ironed out with national sovereignty and discrepancies among national frameworks, as "even the term legal does not mean anything in many countries". He added that human resource is another key challenge, which is why capacity building and training play a key role in INTERPOL's mission to enhance international police cooperation.

There are also blurred lines between cyber crime and cyber warfare, which must be distinguished, said Mr Durand. For example, there are those who are "cyber criminals on Monday, but more or less state agents on Tuesday" while INTERPOL cannot be involved when there are state actors.

"I hope that in future we can have a kind of Geneva Convention for cyber warfare," he said, referring to the international rules for humanitarian treatment in war.

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Australia: Car colour & marital status can decide motor premiums – AIR – 17th April, 2017

Married Australians who purchased a white car early in the morning could be paying lower insurance premiums than others, a Senate inquiry into general insurance practices has heard.

Although the difference in premium costs was initially established because white paint costs less than coloured paint, insurance companies told the inquiry that owners of white cars generally make fewer claims, reported The Daily Telegraph.

The inquiry, held last week, also heard that customers who appear before noon could also determine premium discounts.

Last November, the Senate's economic reference committee started an inquiry into the general insurance industry, which among other things will determine whether an independent comparison service is to be set up. The inquiry is examining transparency and competition in the home, strata and car insurance industries.

Insurers were also pressed in the inquiry about a practice referred to as 'red-lining,' which excludes homes in those 'red' suburbs or streets from coverage.

Legal framework

The inquiry also heard about insurance companies exploiting an exemption to unfair contract rules and hiding behind complex product disclosure statements, reported The Sydney Morning Herald.

The Consumer Action Law Centre (CALC) told the inquiry that there is currently no legal framework effectively regulating general insurance products.

"Insurance policies are riddled with terms which, on their face, could be unlawful if unfair contract terms laws applied to insurance," Mr Gerard Brody, Chief Executive of CALC, said.

He said one example of insurers potentially acting unfairly was cash settlement clauses in home building policies. "These allow many insurers to settle a home building claim with a one-off cash payment. This means that if someone loses their home in a flood or fire, an insurer can get a quote on the rebuild, with all their bulk trade discounts, and just pay out that amount. It can bear little resemblance to the real cost of someone rebuilding their own home."

Mr Brody said there was a need for greater transparency in the industry and an improved standard cover regime, which would allow consumers to better compare policies.

Source

Representatives from the Australian Securities and Investments Commission who appeared before the inquiry, called for standardised insurance definitions to make it easier for people to compare policies.

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