Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"A small body of determined spirits fired by an unquenchable faith in their mission can alter the course of history."

Mahatma Gandhi

INSIDE THE ISSUE

Insurance Industry

IRDAI recommends that individuals be allowed to shift from being insurance agents to insurance service providers - Financial Express – 7th September 2018

In order to streamline distribution of insurance products and ensure efficient services to policyholders, a panel constituted by insurance regulator Irdai has recommended that individuals be allowed to shift from being insurance agents to insurance service providers (ISP). The panel has also recommended that the list of products to be sold through an insurance marketing firm (IMF) should be expanded to include group insurance products and combi-products. If the recommendations are accepted, then an insurance agent, who at present is attached with only one company, can sell products of other firms in life, general and even health insurance.

On remuneration, the panel suggests that the structure be kept same across life, general and health insurers. "The remuneration regulations already provide not more than 30% of commission or remuneration paid to insurance agents and insurance intermediaries for general insurance, including health insurance. Therefore, the remuneration model must be arrived at keeping in mind the expenses of management limit and any change in the structure should not lead to unhealthy competition in the sector," the report of the 10-member committee notes.

Insurance reach

Experts say the regulators' report on IMF will help policyholders as they will get professional advice for the long-term, increase the penetration of insurance which depends on the availability of insurance products and services and widespread insurance distribution channels. "It is important that the IMF as a distribution channel is nurtured in a manner that the objective of increasing insurance penetration through an area-wise registration approach is achieved," says the report.

The recommendations will also enable insurance companies and IMFs to compete more effectively and respond with innovation and flexibility to customers' needs and protect consumers' interest.

Interchangeability of ISPs

At present, it is difficult to convince any individual agent who is an eligible candidate to be a principal officer (PO) or ISP of an IMF because he has to surrender his individual agency licence which will result in him losing his renewal commission as per the present practice of the insurance companies. Also, ISPs and PO get fixed remuneration whereas the individual agent does not get fixed remuneration.

The panel recommends that interchangeability from ISP to PO and agent may be allowed. For migration from an agent to PO or ISP, it has recommended that continuation of renewal commission/benefits post-surrender of the individual agency may be as per the board approved policy of insurance companies.

It also recommends that the current mandate of payment of minimum salary, not lower than Rs 5,000 per month, should be continued. Currently, any change in arrangement with the insurance companies is done only with prior approval of Irdai. It has recommended that any change in tie-ups with insurance companies may be governed as per the contractual terms of the IMF agreement between the insurer and IMFs and Irdai has to be informed with the reasons for change in arrangement.

Expanding distribution
Till the year 2000, insurance marketing was predominantly done by agency. However, the distribution structure has changed with brokers, corporate agents, bancassurance partners playing an important role in distribution of life, non-life and health insurance products. Also, new channels like online distribution, web aggregation, point of sales person and IMF were introduced to provide impetus to insurance distribution.

In fact, digital technology can help insurance companies to underwrite risk effectively by using Big Data collected from multiple sources and the regulator has set up a working group to examine innovations in insurance involving wearable/portable devices.

Source

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India: National census to collect info on insurance cover for the first time – Asia Insurance Review

India's decennial Census exercise is likely to collect data on bank accounts per household as well as penetration of insurance services, for the first time ever.

The Census 2021 questionnaire is currently being finalized in consultation with various central ministries and departments. Sources in the Home Ministry told Times of India that as part of ongoing consultation for designing the questionnaire for house listing/enumeration for the next census, the Finance Ministry has sought to refine the 2011 question of whether there was a bank account held by the household, to how many bank accounts are held by members of the household.

Another important information that the Finance Ministry wants collected is about insurance acquired by a household.

"The questionnaire is being redesigned to widen the scope of information being collected so that it can be applied to improve the delivery of various government schemes. The responses will be further codified so that collation of data is faster. We are looking at releasing complete data within three years of conducting the census," said a Home Ministry official.

Source

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IRDAI Regulation

Health insurance policies need not cover genetic disorders: IRDAI - The Hindu Business Line – 6th September 2018

The Insurance Regulatory and Development Authority of India (IRDAI), which had directed insurers to ensure that claims on existing health policies are not rejected based on exclusions for genetic disorders, has put that direction on hold.

In effect, this means it is not mandatory for insurers to provide cover for genetic disorders in health policies, at least for the time being. The move comes after the Supreme Court last week partially stayed an earlier Delhi High Court order which had said that the exclusion of genetic disorders from health policies was unconstitutional.

"In view of the above stay granted by the Supreme Court, the (earlier) circular … stands abated until further orders," said IRDAI, adding that the claim settlement for existing policies will be according to the applicable framework.

At present, genetic disorders such as certain cardiac conditions and hemophilia are not covered by policies. However, in February this year, the Delhi High Court had said that the exclusionary clause of "genetic disorders in insurance policies is too broad, ambiguous and discriminatory".

It had directed IRDAI to take a re-look at the clauses and ensure that insurance companies do not reject claims on the basis of exclusions relating to genetic disorders. Following that, IRDAI had in March directed all insurance companies to not exclude genetic disorders from health policies.

Awaiting clarity
Reacting to the latest ruling, insurers said they would await more clarity from the Supreme Court and IRDAI.

"As of now, we will follow the IRDAI circular. We also hope for more clarity once the final ruling of the Supreme Court comes in," said an executive with an insurance company.

Source

Irdai puts on hold circular on genetic disorder claims – The Times of India – 5th September 2018

Insurance regulator Irdai has put on hold its directive issued in March to insurers with regards to rejection of claims related to 'genetic disorder'.

On August 27, the Supreme Court of India, while hearing Special Leave Petition (Civil) granted stay on the operation of a Delhi High Court judgement that held that exclusionary clause of 'genetic disorders' in insurance policies is too broad, ambiguous and discriminatory, violative Article 14 of the Constitution dealing with right to equality.

"In view of...stay granted by the Hon'ble Supreme Court of India, Circular (of March 19, 2018) stands abated until further orders," the Insurance Regulatory and Development Authority of India (Irdai) said in a circular.

However, the claim settlement in respect of all extant policies shall be as per the terms and conditions of the policy contracts as approved by the authority in accordance to the applicable regulatory framework, said the circular addressed to life, general and health insurance companies.

The Delhi High Court had directed the Irdai to have a re-look at the exclusion clauses in the insurance contracts to ensure that claims are not rejected on the basis of exclusions relating to genetic disorders like cardiac conditions, high blood pressure and diabetes.

Following the order, the Irdai had directed insurers "not to include" genetic disorders as one of the exclusions in new health insurance policies issued in respect of all their existing health insurance products and also in the new products.

Source

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Life Insurance

Nearly 25% premium from new life policies goes waste – The Times of India – 7th September 2018

Close to a fourth of the savings that goes into regular premium-investment policies goes to waste. Despite an improvement in their persistency ratios, most life insurance companies have at least 25 per cent of policyholders dropping out after the first year.

In terms of number of policies, the dropouts are much higher with nearly a third of buyers not paying their annual dues.

According to data released by the Insurance Regulatory and Development Authority of India in its insurance statistics handbook, the 13th month persistency for the Life Insurance Corporation (LIC) in terms of policies sold was 64 per cent in March 2017. This means that of the policies sold in the previous year, 36 per cent of the purchasers did not renew them in the subsequent year. The figure improved to 66 per cent in 2018, but continues to be high — representing a one-third dropout rate.

Sources in LIC say that the dropout ratio is higher among low-value policies and it improves when the renewals ratio is checked as a percentage of premium rather than the number of policies sold. However, even when it comes to premium, there are only 76 per cent renewals in the second year.

The lapsed policies are almost a total loss to the policyholder. In the case of a lapse within a year, the policyholder loses most of his money since the insurance company books all its costs, including commission, upfront in the first year. In 2016-17, LIC sold Rs 22,178 crore worth of regular premium policies. This was 44 per cent of the regular premium collected by the industry. Extrapolating the 24 per cent lapse ratio to the fiscal year numbers would indicate that premium worth over Rs 5,000 crore has lapsed for LIC alone. Of the 1.89 crore policies it sold in FY17, a third would have lapsed.

Those in the insurance industry attribute the high rate of lapsation to the fact that agents push low-value policies in order to achieve their target in terms of numbers. But lapsation of high-value policies are a pointer to continued mis-selling. In the West, life insurance companies tackle mis-selling by incorporating a ‘clawback clause’ in their contracts with agents — companies pay high first-year commissions, but recover them from agents if the policy lapses.

Insiders say that lapsations are also the reason why assets under management (AUM) of life companies are growing at a much sedate pace compared to mutual funds (MFs). The AUM of the Indian MF Industry has grown from Rs 5.41 lakh crore as on July 31, 2008 to more than Rs 23 lakh crore as on July 31, 2018 — a more than fourfold increase in a span of 10 year. For the life industry, AUM has been growing at 11-14 per cent and stands at around Rs 30 lakh crore.

Source

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Traditional insurance products benefit from higher G-Sec yields - The Hindu Business Line – 5th September 2018

Hardening yields of government securities are proving to be an advantage for traditional insurance products but have led to crowding out corporate bonds with few issuances taking place, believes Anurag Jain, Chief Investment Officer, Canara HSBC Oriental Bank of Commerce Life Insurance.

"In traditional products, we are at a very sweet spot. Higher rates mean that all the new inflows we get are deployed at a higher rate. We can give better returns to policyholders," said Jain.

Traditional insurance products include term and endowment policies. Over the past few months, the 10-year benchmark government bond yield has been hardening, and has touched 8 per cent, even as the rupee continues to weaken against the US dollar.

"A falling rate may worry us but rising rates don't worry us," Jain told Business Line.

Unit-linked products

However, in the case of unit-linked insurance products (ULIPS), hardening G-Sec yields impact investment values and returns. "That is factored in; people have already reduced duration so that the impact can be minimized. There is no impact as such," said Jain.

But with rates having moved up, issuances of corporate paper have come down.

"Most corporates are not issuing paper and there are very few issuances. Secondary market transactions on the corporate bond side have also dried up," said Jain, adding that as of now only housing finance companies and non-banking financial companies issue bonds.

According to Jain, this is only a short-term phenomenon and the market will start to recover in some time.

However, there is a dearth of investment options for insurers, given that their liabilities are long dated with products having a duration of 25 years and even longer.

"For meeting these we need longer-duration products, (and) similar cash flow profiles, but we don't have that kind of investment opportunities in the market. We need to deepen the bond market; companies can also raise longer-term paper," he said.

Canara HSBC OBC Life Insurance Company is jointly owned, with Canara Bank holding 51 per cent stake, Oriental Bank of Commerce having 23 per cent stake and HSBC Insurance (Asia Pacific) Holdings having the balance 26 per cent.

Source

The life insurer had assets under management worth Rs. 13,500 crore by end of July this year.

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What happens when your life insurance policy lapses – Mint – 4th September 2018

Last week, the insurance regulator instructed life insurance companies to extend the grace period for payment of renewal premium for residents of Kerala and flood affected districts of Karnataka. So policies that are due for renewal between 15 July and 30 September 2018 will get a grace period of 60 days instead of the usual 30 days for policies with annual and other premium payment mode and 15 days for monthly premium payment mode policies.

Since normal life has been severely affected and disrupted due to floods, policyholders are facing difficulties in timely payment of renewal premiums, said a circular by the Insurance Regulatory and Development Authority of India (Irdai). "Coverage under such policies may get lapsed due to non-payment of renewal premiums," it said.

When do insurance policies lapse?
Usually you are required to pay a fixed premium periodically on the due date or within the grace period. If you don't do so, your policy lapses.

In term plans, you forfeit insurance benefits and the premiums paid so far.

In case of unit-linked insurance plans (Ulips), if you skip paying the premium in the first five years, or during the lock-in period, the policy is considered lapsed; so you forfeit insurance benefits but the invested surplus is not given back to you. It moves to a discontinuance fund and is payable after the lock-in of five years. If you skip paying premiums after the lock-in period, you can either surrender the policy and take the investment corpus, or revive it or continue it without paying, here your policy becomes paid-up.

In case of traditional plans, in the initial years you risk losing all your premium if your policy lapses, but once it acquires a surrender value, which means it can be self-funded or is paid-up, the policy doesn't lapse but automatically continues with a reduced sum assured like in the case of a Ulip. Keep in mind that traditional plans come with heavy penalties for surrender.

Don't let your policy lapse
Insurers give you a window of two years to revive your policy by paying the due premiums and penalty interest, but the more you delay reviving your policy, the more difficult it may get. Lapsing your insurance policy, especially a term insurance plan, means your loved ones are not financially protected in the event of your death.

Source

Also, you may have to shell out a higher amount if you buy insurance later.

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5 ways senior citizens can avoid being mis-sold an insurance policy – The Economic Times – 4th September 2018

To avoid being scammed out of their hard-earned money, here are insurance products senior citizens should steer clear of at all cost.

Don't buy 'guaranteed return' policies
In the first place, senior citizens should not buy life insurance since they don't need it. Life cover ensures that the family doesn't suffer financially if one dies, and is needed only till one is working, to replace the income. "As 90% of Indians don't work after retiring, they don't need it," says Financial Adviser Pankaaj Maalde.

However, most unsuspecting seniors are sold 'guaranteed return' plans, or traditional plans—a mix of insurance and investment—as these offer a maturity corpus at the end of the term. It doesn't work for them because not only is the term long, over 10 years, but the returns are extremely low, around 5%. The premium, on the other hand, is very high. By the time they realize they have been sold the wrong product, it's too late. "There is usually no surrender value if the policy is returned within three years and, even after this, it is extremely low," says Amar Pandit, CFA and Founder of HappynessFactory.in.

If you have been mis-sold insurance...
If you realize you have been a victim of mis selling during the free-look period, return the plan. If however, this period is over, in case of traditional plans, you can either make it a paid-up policy or surrender it. For the former, you should have paid the premium for at least three years for policies with a term of more than 10 years and, for a lower term, the premium should have been paid for two years.

The cover will be reduced in line with the premium paid, while the maturity proceeds, till the time the premium is paid, along with bonus, will be given at the end of the term. If it is closed before three years, you will lose all the money. After three years, surrender charges will be applicable. For Ulips, the premium can be stopped before five years and the policy lapses. The investment is shifted to a Discontinuance Policy Fund, where it earns 3.5-4%, and can be claimed after five years.

Don't buy insurance products at the bank
Senior citizens should avoid making investment decisions at banks, where insurance products are sold due to the bancassurance tie-ups with insurance companies. "This is where most mis-selling of insurance products takes place," says Maalde.

Senior citizens are soft targets because they are typically flush with post-retirement funds, are looking to make investments, and are ill-informed about investing avenues. Nothing is given in writing by the bank official whom the retiree trusts, signatures are taken on policy documents, and the insurance product is sold as an investment promising high returns. Often, the policy document is sent after the free-look period and the bank refuses to take responsibility since the signatures are on the document and there is no proof of mis-selling.

Don't buy single premium plans

Ulips and traditional plans have three modes of premium payment—regular, limited period and single. The last involves making a single payment for the entire term and is expectedly a large sum. The single premium Ulips are usually mis-sold as fixed deposits with higher returns and tax advantage.

For these, insurers keep the sum assured at 1.25 times the single premium for those below 45 years and 1.1 times for those above 45 years. What this means is that for senior citizens, this invariably breaches the requirement of the premium being 10% of the sum assured for the maturity proceeds to be tax-free. Hence, the single premium Ulip plans should certainly be avoided.

Don't buy Ulips

Ulips are also traditional life plans, but instead of safe debt instruments, these invest in mutual funds and, hence, their returns are much higher. "However, these too have high costs that eat into the investment. Besides, they have a lock-in period of five years before which they cannot be excited," says Pandit.

Since seniors are usually looking for regular income after retirement, it does not suit them even though the maturity proceeds are tax-free and the investment is eligible for Section 80C deduction. "Importantly, what most seniors don't realize is that the premium should be 10% of the sum assured to qualify for tax benefits," says Maalde. For policies bought after 1 April 2012, if it is more than 10%, only a maximum of 10% is eligible for deduction under Section 80C, and the maturity proceeds are added to income and taxed at applicable rates.

Source

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Non-Life Insurance

More and more banks take insurance route to ease the impact of cyberattacks – The Economic Times – 7th September 2018

Demand for insurance against online frauds is rising steeply and likely to spike further after the personal data protection laws are in place. Having paid heavily for cyberattacks like the one on Cosmos Co-operative Bank, lenders are buying higher insurance cover. When most private sector banks are incurring $10-50 million, one public sector bank bought a cover of $100 million.

The number of cases are also on the rise. Last year, around 3,000 online banking frauds took place. According to industry estimates, one cyberattack happens every 10 minutes with most cybercrimes reported in Maharashtra and Uttar Pradesh.

"Indian companies are increasingly seen opting for cyber insurance to get aspects like forensic costs, cyber extortion costs and other first-party expenses covered," said Manoj Kumar AS, senior vice-president, Global Insurance Brokers. "There has been a growth in the number of policies by almost 25% cumulatively over the past four years and we expect this figure to go up by another 30% post implementation of Personal Data Protection Bill."

The obligations of the proposed bill by Justice BN Srikrishna will lead to the data liability cover with companies taking adequate cyber risk cover and enhancing the existing ones, experts feel.The ministry of information technology recently released the Personal Data protection Bill of 2018 in line with the European Union's GDPR. "The bill has come at the time of major international events such as the recent breach by a British consultancy firm, the WannaCry and Petya attacks, banking data theft and at the advent of strong international privacy laws," said Kumar.

"While the bill will take the natural course of time in terms of becoming an Act, the present iteration of the bill largely showcases the intent and powers of the government with respect to privacy in India and to put stiff obligations on Indian entities. The enactment of the bill would lead to a major impact on the existing cyber insurance ecosystem across the country," he added.

Source

Mis-selling, pendency of claims to blame for insurance disputes - The Tribune – 3rd September 2018

Insurance companies cajole customers to buy life, non-life and Mediclaim policies, but they have hundreds of excuses to reject their claims. For instance, they reject the claim of engine breakdown if the policyholder restarts the vehicle in the monsoon deluge.

Mediclaim policyholders also face similar situations. Recently, a Chandigarh-based patient, who was admitted to the emergency ward of a private hospital for some gastro-intestinal disorder, was denied cashless facility only because he told the doctor that he takes alcohol once in a blue moon. The third-party administrator quickly showed him the "policy exclusion clause 4.8" and denied the cashless facility.

There are ways to get away with such knotty conditions, which customers often ignore while buying a policy. According to Amit Singh, executive director, Palm Insurance Brokerage, "In such case, the policy holders should buy a comprehensive policy with 'engine protection' cover, to avoid inconvenience at the later stage". Many insurance experts agreed that agents often conceal such practical issues while selling policies.

For the instance case of Mediclaim rejection, doctors advise that patients should not disclose alcohol drinking even if it is occasional to avoid the draconian clause. The Insurance Ombudsman office agreed that there is a rise in claim-related grievances.

"There has been constant increase in number of complaints filed at Consumer Disputes Redressal Forums and insurance ombudsman. The need to the hour is to bring transparency in the system. At the time of selling policy, terms and conditions are not made clear to the consumers, the consumer comes to know only at the time of settlement," said Share Samadhan co-founder Abhay Chandalia.

According to a report issued by the office of ombudsman, Chandigarh, the authority received a total 2,122 complaints in 2017-18.

A senior official at the ombudsman office said, instances of mis-selling of insurance products through bank branches are also on the rise. Customers easily give in to the aggressive marketing techniques of some bank employees primarily on account of the trust reposed in the bank. Mis-selling refers to certain 'unfair business practices', including wrong sale of product, loading on products and promise of higher returns whereas in non-life, health insurance and motor vehicle cases constituted major portion of complaints.

Source

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Kerala floods: Cage fish farmers in troubled waters - The Hindu Business Line – 3rd September 2018

The deluge in Kerala has had a cascading effect on the cage fish farming ventures of both the Central Marine Fisheries Research Institute (CMFRI) and the Kerala University of Fisheries and Ocean Studies (Kufos), the nodal agency promoting pen and cage fish farming in the State.

Commercially valuable fish such as Pearl Spot, Sea Bass and Red Snapperwere lost in the floods, especially at a time when farmers were about to harvest the fully-grown fish ahead of the Onam season. The CMFRI estimated the loss at around Rs. 4 crore in Ernakulam and Thrissur districts.

Major setback

According to Imelda Joseph, Head, Mari culture division, CMFRI, around 300 cages were submerged under the muddy waters. Pizhala Island, a model village in cage fish farming, with around 200 units, experienced a massive loss when those units were washed away in the floods.

PD Jensen of Puthenvelikkara village had lost around one lakh fish stock of eight commercial varieties, estimated to be worth Rs. 60 lakh.

Kufos, according to Daisy C Kappen, Director of Extension, was supporting 63 self-help groups to establish pen and cage culture units in different villages of Ernakulam and all these units were hit.

"These units were under our village adoption programme in generating employment to village youths. Our preliminary survey puts the loss of each farmer at between Rs. 5 lakh and Rs. 60 lakh per unit," she said.

Insurance sought

A Gopalakrishnan, Director, CMFRI, pointed out that lack of proper insurance in the cage fish farming sector has become a major impediment. "This issue should be seriously addressed at least in the wake of this extreme situation. We are looking into mechanisms by which we can support the issues related to cage fish farming when flooded conditions occur," he said.

"We will prepare a detailed report and submit it to the government for all kinds of help, other than finance, to re-establish the farming units. We are not in a position to extend financial help since knowledge transfer is our prime motive," said A Ramachandran, Vice-Chancellor, Kufos.

Source

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Govt allows state refiners to use Iran tankers, insurance for oil imports - Business Standard – 3rd September 2018

India is allowing state refiners to import Iranian oil with Tehran arranging tankers and insurance after firms including the country's top shipper Shipping Corp of India (SCI) halted voyages to Iran due to U. S. sanctions, sources said.

New Delhi's attempt to keep Iranian oil flowing mirrors a step by China, where buyers are shifting nearly all their Iranian oil imports to vessels owned by National Iranian Tanker Co (NITC).

The moves by the two top buyers of Iranian crude indicate that the Islamic Republic may not be fully cut off from global oil markets from November, when U. S. sanctions against Tehran's petroleum sector are due to start. President Donald Trump ordered the reimposition of economic curbs after withdrawing the United States from a 2015 nuclear deal between Iran and six world powers.

No one trading with Iran will do business with America, he said. "We have the same situation (as most Western shippers) because there is no cover, so we cannot go (to Iran)," an SCI official told Reuters. New Delhi turned to the NITC fleet after most insurers and reinsurers had begun winding down services for Iran, wanting to avoid falling foul of the sanctions given their large exposure to the United States.

SCI had a contract until August to import Iranian oil for Mangalore Refinery and Petrochemicals Ltd (MRPL), two sources familiar with the matter said.

Euro tankers, which had a deal with MRPL to import two Iranian oil cargoes every month, has also said it cannot undertake Iranian voyages from September, the sources said.

The sources spoke on condition of anonymity as they were not allowed to talk to the media about commercial deals. "The shipping ministry has given refiners permission to buy Iranian oil on a CIF (cost, insurance and freight) basis," a government source said.

Under a CIF arrangement, Iran would provide shipping and insurance, enabling Indian refiners to continue purchases of the country's oil despite the non-availability of cover from Western insurers due to the restrictions imposed by Washington.

The move would benefit Indian Oil Corp (IOC), Bharat Petroleum Corp Ltd (BPCL) and MRPL, which plan to lift Iranian cargoes during the rest of the fiscal year ending on March 31.

India wants to continue buying oil from OPEC member Iran as Tehran is offering almost free shipping and an extended credit period. State refiners, which drove India's July imports of Iranian oil to a record 768,000 barrels per day, had planned to nearly double oil imports from Iran in 2018/19.

Unlike their private peers, India's state-run refiners need government permission to import oil on a delivered, or CIF, basis. Federal policy requires them to favor Indian insurers and shippers by buying only on a free on board (FOB) basis.

The permission for CIF purchases applies only to existing annual contracts with Iran, the government source said. India, Iran's top oil client after China, will finalize its strategy on crude purchases from Tehran after a meeting with top U. S. officials this week, a senior government official told Reuters last week.

SCI, Euro tankers, the shipping ministry, MRPL, IOC and BPCL did not respond to Reuters emails seeking comment.

Source

Don't hurt insurance for flawed governance – The Economic Times – 31st August 2018

India is on the threshold of a data revolution, one of whose beneficiaries would be the insurance industry. Insurance premia, say, for motor insurance should be computed on the basis of granular data on driving behavior, accident-proneness of routine travel regions, distance driven per month and so on, and not just past claims, if any.

This entire new possibility would be thwarted by the Supreme Court directive to make new car and two-wheeler owners purchase insurance covers for at least three years and five years respectively, against the existing norm of one year, and the insurance regulator's fiat to general insurers to sell long-term third-party motor insurance covers for new cars and two-wheelers from September 1.

Three-year insurance does not guarantee renewals for the life cycle of the vehicle. The law already mandates every vehicle to possess third-party cover at any point of time. Nevertheless, an estimated 40-50% of vehicles ply without the cover.

There is no certainty that a person who buys an insurance cover for her new car will renew her policy after the initial three years. The way out is to impose stiff penalties for non-compliance, and for the state to acquire the capacity to enforce the law and the stipulated penalty for its violation.

Making people buy insurance for the expected life of the vehicle at the time of purchase, as in the case of road tax, interferes with the need to set premia based on data relating to safety and diligence of the driver, which would change over time.

The administered pricing of third-party covers must go. Insurers must be free to set prices just as they do on own-damage covers. India should move towards data-based tailoring of car insurance policies and adopt differential pricing. Money cannot always compensate for deficient governance.

Source

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Insurance cover for mental illness is still a grey area - The Hindu Business Line – 31st August 2018

Besides confusion about applying what the regulator mandates, there is lack of sensitivity about giving holistic care

"We will not hospitalize her for her illness, even if she kills us," says 76-year-old Amrit Bakhshy, caregiver to his daughter Richa (46) for the last 27 years, after she was diagnosed with Schizophrenia. Schizophrenia alters a person's ability to think, feel and behave clearly and Pune-based Bakhshy has spent lakhs of rupees and many a sleepless night for Richa's treatment.

"Her monthly treatment expenses mount to Rs 8,000. Leading private hospitals charge up to a lakh rupee a month for hospitalization, in extreme cases where a patient refuses to have medication or gets extremely violent," says Bakhshy, who has played a key role in the inclusion of the health insurance provision in the Mental Healthcare Act (2017).

"If you are covered under medical insurance for physical illness, then that cover has to be expanded to include mental illnesses too," says Bakhshy. "If you are covered for Inpatient care, it should be for both — mental and physical ailments, and the same applies for Outpatient care too."

Implications of IRDA circular

If insurance companies include mental health in their policies, then Bakhshy can seek its benefit for Richa's treatment only after a cool-off period of four years, as she has a "pre-existing," illness, says a senior official from a leading insurance agency, unwilling to be named.

Insurance companies are still grappling with the Act and the subsequent circular by the Insurance Regulatory Development Authority (IRDA) which says that "every insurer shall make provision for medical insurance for treatment of mental illness on the same basis as is available for treatment of physical illness."

Companies like ICICI Lombard are not sure if they will include mental health in all their products, even though the law makes it clear that psychiatric and psychosomatic disorders cannot be excluded from insurance policies. The regulator has not made it mandatory, believes Sanjay Datta, Chief – Underwriting and Claims, ICICI Lombard, but when questioned about the Act, he says the company is mulling including mental health in product design and that may lead to an increase of premium rates. "If mental health insurance is not included in the cover, it will be contravention of law. We have to abide by the law of the land," states S Prakash, Chief Operations Officer, Star Health and Allied Insurance Company.

A taboo subject

But mental health is not something many are willing to be open about. Smita Gupta (36), a media professional juggling her job and treatment for infertility while grappling with depression, says, "I will never opt for a company insurance policy for seeking reimbursement for my treatment related to depression. It is too personal."

Thirty-one year-old Kritika Kamthan, a development sector professional, got her entire thyroid cancer treatment cost reimbursed. But she needed extensive therapy to bounce back from depression. Each counselling session that lasted for less than an hour cost her ₹2,000. She stopped treatment after three sessions as it was too expensive. The hospital declared her free from cancer, but was unwilling to take responsibility for her clinical depression. The insurance did not cover the rehabilitation counselling costs.

"I was emitting heavy radioactivity after my radiation therapy. I was isolated for days, and I later became irritable. That's when I slipped into clinical depression," she says. Without a job and regular income, she realized that her outpatient counselling sessions would not be covered by her cancer policy. (Health insurance largely reimburses cost only if the individual is admitted in hospital.)

"There is no parity," says Kritika. And worse, there is a "lack of sensitivity towards holistic care which should be made easily available to any patient," she says, outlining the grey areas that remain in fixing insurance for mental health.

Source

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Health Insurance

Modi's brainchild Ayushman Bharat 'unbalanced': Experts - The Pioneer – 7th September 2018

Just as India gears up to roll out Ayushman Bharat on September 25, a group of international health experts including former UN Secretary-General Ban Ki-Moon on Thursday called it "unbalanced and too skewed towards costly inpatient care." It also urged India to put "more political will" and push public financing in the health sector to achieve universal health coverage (UHC) in the country.

In its report "Universal Health Coverage in India" released on Thursday here, The Elders, a London-based organization of independent global leaders, while welcoming Ayushman Bharat which has two components-insurance to poor families and setting up wellness centers, however cautioned that "taking into account economic growth, inflation and population increases, real per capita public health spending as a share of GDP has hardly changed."

India is therefore not yet on a a trajectory to meet the government's own target of 2.5 per cent GDP public health spending by 2025, the report noted. "We are concerned that Ayushman Bharat is unbalanced and too skewed towards costly inpatient care. Greater focus should be given to the free primary healthcare services provided at health and wellness centers and integrating these with services covered by the National Health Protection Scheme.

"Also, it would appear that the NHPS is repeating the design flaw of the RSBY in not protecting people from outpatient costs, including medicines which make up 70 per cent of India's out of pocket expenditure," said the report by The Elders, founded by Nelson Mandela in 2007.

The health experts have suggested the government to invest the bulk of its additional public health funding in providing comprehensive, free primary care services to the entire population. This would be more efficient and equitable route to UHC in India.

Ban who is in India, as part of a delegation said, "I am here with a single purpose, with a single agenda and that is to promote universal health coverage and overall health aspects. The Indian government has planned to spend 2.5 per cent of the GDP by 2025.

"And, it is hoped that India will push much further investment and more money, and more political will by Prime Minister (Narendra) Modi, and chief minister and health ministers (of various states)," Ban said during a panel discussion here.

Besides Ban, former Norwegian Prime Minister and former Director General of the WHO Gro Harlem Brundtland, President of Public Health Foundation of India Dr K Srinath Reddy and NITI Aayog member Dr V K Paul were in the panel.

Source

Paul, however, rejected the apprehension saying that the Government has ensured sufficient funds like introduction of cess to meet the financial needs for the scheme.

Back

Irdai ask insurers to provide 60-days grace period for health insurance premium - The Economic Times – 4th September 2018

The insurance regulator Irdai Wednesday asked insurers to provide 60-days grace period for payment of health insurance premium in flood affected Kerala and parts of Karnataka. Heavy rains and subsequent floods have adversely affected life and property in Kerala and some districts of Karnataka.

"General and Health Insurers are advised to grant 60 days grace period in respect of all health insurance policies due for renewal up to 30th September, 2018 in the State of Kerala and flood affected districts in the State of Karnataka," Irdai said in a circular.

Irdai said insurers should comply with guidelines on standardization in health insurance for the extended period so as to protect the continuity of benefits as specified therein. Further, in respect of deposits/premiums collected for issue of health insurance policies during August 2018, where such deposits/premiums collected could not be converted to policies within the stipulated time, insurers are allowed to convert such deposits into policies by September 30, 2018, it noted.

Source

"Where the premium collected is not converted to policies by September 30, 2018, such premiums shall be refunded...," the Irdai added. Earlier, the regulator had asked insurance companies, both life and general, to organise special camps in Kerala for faster settlement of claims.

Back

India fast-tracked initiatives for universal health coverage: Nadda - The Economic Times – 3rd September 2018

Union Health Minister J P Nadda Monday said India has fast-tracked initiatives for universal health coverage (UHC) and his ministry is working "very hard" for effectively implementing the Ayushman Bharat scheme - the largest government-funded health scheme in the world. At the 71st session of the WHO Regional Committee for South-East Asia here, he said India supports the regional and global health agenda and stands ready to work with fellow member states and the international community to achieve the common goal of 'Health for All'.

Ayushman Bharat rests on the twin pillars of Health and Wellness Centers for provision of comprehensive primary healthcare services and the Prime Minister's National Health Protection Mission for secondary and tertiary care to 100 million families.

"Under the first pillar of Pradhan Mantri Jan Arogya Yojana, we are reaching out to approximately 40 per cent of country's population roughly covering 500 million individuals, who will be provided an insurance cover of Rs 5 lakh to cover secondary and tertiary health-care.

"Initially spanning almost 1,300 procedures under 20 different specialties, this will be the largest government funded health protection scheme in the world," the Health Minister said. He pointed out that under the second pillar, 1,50,000 health and wellness centers would bring healthcare closer to people, so that every Indian can have timely access to health care, including diagnostic services and free essential drugs.

"The Health Ministry is working very hard for effective implementation of Ayushman Bharat for a healthy, productive and prosperous India," Nadda said. The member countries of the WHO's Regional Office for South-East Asia (SEARO), including India, are meeting to brainstorm on measures against vector-borne diseases and improving access to essential medicines.

The minister said, "India has fast-tracked many initiatives aimed at achieving all the core tenets of UHC i.e, strengthening health systems, improving access to free medicines; diagnostics and reducing catastrophic healthcare spending."

Nadda said India firmly believes in the objective of attainment of the highest possible level of health -- a state of complete physical, mental, spiritual and social well-being and not merely the absence of disease or infirmity. "Moving toward this objective, we have adopted the National Health Policy 2017 with the aim to provide affordable healthcare for all," he asserted.

Highlighting the initiatives of the government, Nadda said although the WHO has fixed 2030 as the timeline for elimination of tuberculosis, Prime Minister Narendra Modi has exhorted the ministry to achieve it five years ahead of target in 2025.

"In line with this ambitious plan, India is on track for the implementation of the National Strategic Plan for Tuberculosis and we have recently introduced supplementary nutritional support for the complete duration of treatment for patients," he added.

The Health Minister said India has already initiated universal screening for prevention and management of five common NCDs including hypertension, diabetes and three common cancers of oral cavity, breast and cervix across the country. He pointed out that the Health Ministry has started a unique initiative called AMRIT Deendayal, an acronym for Affordable Medicines; Reliable Implants for Treatment - Centers that provide medicines for cancer; cardiovascular diseases and cardiac implants at significantly reduced prices.

The government has also opened Jan Aushadhi (peoples' medicines) stores to make available quality affordable essential medicines to people in need, he said. "India has always supported regional and global public health issues whether it be advocacy, technical collaboration, research and development, partnerships or improving the accessibility and affordability of health services and high quality essential medical products.

"India supports the regional and global health agenda and stands ready to work with fellow member states and the international community to achieve our common goal of Health for All," the minister added. Ambassadors and High Commissioners from the member countries, senior officers of the ministry and representatives and delegates from across the globe were also present during the event.

Ministers of Health from the countries of the WHO South East Asia Region (SEAR), NITI Aayog CEO Amitabh Kant, Secretary (Health) Preeti Sudan, WHO South-East Asia Region Regional Director Poonam Khetrapal Singh, and WHO DDG Jane Allison were also present at the inaugural session.

Source

Back

India: Government health insurance scheme to get an allocation of US$1.7bn for 2019-20 – Asia Insurance Review

Pradhan Mantri Jan Arogya Yojana, the mammoth Indian public health insurance scheme to be formally launched on 25 September, would be allocated INR120bn ($1.67bn) for the next financial year beginning on 1 April 2019 (FY2020). This would be the first complete year of operation of the ambitious health insurance scheme of the government of India.

Centre to share 60% of the expenses

Financial daily Business Standard, quoting Indian Finance Ministry officials, has reported that for the current FY2019, the Health Ministry has projected a total expenditure of INR60bn, of which 60% will come from the central government and 40% from the states.

This compares to INR20bn allocated for FY2019 in the federal budget by the Centre. The states had no budgeted amount for this scheme. Business Standard reports that the Health Ministry has sought an additional amount of INR20bn for the current year from the Finance Ministry. "We need at least INR60bn combined from the Centre and states to fund the scheme for five months this year. For next year, the total requirement will be INR120bn, of which 60% will be paid by the central government."

According to the report, the government had felt that it would be able to pay its share with inflow from the education and health cess over and above the budgetary support. Now, however, the Health Ministry feels that it needs more funds to pay the Centre's share in the mega scheme.

Scheme to operate on insurance and trust models

This scheme will operate on two models: insurance model and trust model. Under the insurance model, insurance companies are empaneled to operate as part of the scheme and they bid to provide insurance cover to those eligible under the scheme. Under the trust model, a state sets up a trust and allocates funds to it. The money is then transferred from the trust to the hospitals directly.

Most states opt for trust model
Cigna TTK Health Insurance Company COO and customer officer, Ms. Jyoti Punja speaking to Asia Insurance Review said, "A high number of state governments have opted for the trust model. The scheme being on a large scale, every insurer is compelled to quote a viable price in order to avoid getting hurt. Business needs to be done right even in the health scheme."

"On a broader perspective, however, the entire scheme will spread greater awareness and long-term inclusion for the insurance industry. It will expand medical services and allied facilities to rural areas as more people will opt for cashless insurance policies and additional health cover," added Ms. Punja.

This health insurance scheme plans to bring 100 million families or around 40% of India's population under its coverage and will provide tertiary care to all those who feature in the social economic cast census of 2011. They can avail themselves of medical treatment benefits of up to INR500,000 under this scheme.

Source

Back

Crop Insurance

Floods push more Kerala farmers to opt for crop insurance - The Hindu Business Line – 5th September 2018

The all-round devastation caused by the recent floods in Kerala has prompted farmers to opt for crop insurance. The crop insurance schemes are jointly implemented by the Centre and State governments through PSU insurance companies.

Around 55,000 farmers in Kerala have enrolled in 2018-19. However, it is still low compared to the actual potential, thanks to the crop insurance floated by the State Agriculture Department, said BG Shyam Kumar, Regional Manager, Agriculture Insurance Company of India (AIC).

The Pradhan Mantri Fasal Bima Yojana and Restructured Weather Based Crop Insurance Scheme (RWBCIS) are being notified by the State. The government has taken steps to include wind damage cover, which would help banana growers, he told Business Line .

The RWBCIS was launched in Kerala in the 2008-09 rabi season, starting with the paddy crop in Palakkad. The AIC, which implemented RWBCIS during the kharif 2016 season, had settled around Rs. 17.96 crore in claims whereas United India Insurance is set to release around Rs. 20 crore pertaining to the rabi 2016-17 season. For the rabi 2017-18 season, he said the first instalment of claims provisionally reported by AIC is Rs. 75 lakh.

A safety net for farmers
According to him, installing more weather instruments, especially to capture wind speed and rainfall at panchayat level and refining the presently available insurance covers for the notified crops, such as inclusion of excess rainfall cover, will be beneficial to farmers.

At present, claims worth more than Rs. 10 crore have been settled during the past two weeks on an urgent basis. The PMFBY's indemnity options, which offer scope for immediate claims settlement, has helped Kuttanad paddy farmers who were covered under Prevented Sowing/Germination Failure. AIC has already settled Rs. 2.5 crore, he said.

Source

Back

PMFBY: Government testing modern tech for assessment of crop damage - Financial Express – 4th September 2018

As many as nine pilot studies have been rolled out in 11 states to test the effectiveness of modern technologies in assessing the extent of yield loss for payment of crop insurance claims, the government said Tuesday. The pilot studies are being carried out in Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu and Telangana. Currently, the crop cutting experiment (CCE) — the traditional random survey method — is used to estimate crop yields of a location.

Under the Pradhan Mantri Fasal Bhima Yojana (PMFBY), states are required to carry out at least four CCEs in every village panchayat for each crop and submit the yield data to insurance companies within one month of harvest. It has become a challenge to conduct CCEs in a short span considering 2.5 lakh gram panchayats in India. In this backdrop, the Agriculture Ministry wants to use modern technologies to get the crop yield figures faster and accurately for payment of crop insurance claims.

A workshop was also conducted on nine pilot studies here Tuesday. “The Government of India has rolled out nine pilot studies on optimization of CCE using modern technologies aiming to resolve various challenges faced by the Scheme,” the ministry said in a statement. The nine pilot studies are conducted in 23 districts spread across 11 states.

The study is expected to be completed by February 2019, after analyzing the use of technology in particular areas of crops during 2018 kharif season and crops in rabi season of 2018-19, it said. The pilots are being conducted by the National Remote Sensing Centre (NRSC), CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS), Sat Sure, Space Application Centre (SAC), Skymet, CropIn, Niruthi, Indian Agricultural Statistics Research Institute (IASRI)and Weather Risk.

Technologies like scalable yield mapper for integrating remote sensing data in crop growth simulation model, crop detection algorithm, crop health monitoring, Integrated Sampling Methodology using remote sensing, deep stratification, index based insurance for flood, intelligent and smart sampling technique, among others are being piloted in the field.

“The inclusion of such technological interventions is expected to address the issues of large number of CCE being conducted during short harvesting window with limited manpower,” the ministry said. Such technology-based solutions will help in achieving the objective with limited resource, more accuracy, resulting in timely settlement of claims and will further facilitate to reduce the unit area of insurance to a level lower than the present village and panchayat level, it added.

Source

Back

Impose penalties for delayed crop insurance payouts, Agriculture Ministry tells FinMin - The Hindu Business Line – 2nd September 2018

The Agriculture Ministry has approached the Finance Ministry with proposals to make provisions to punish delays in crop insurance claim payouts, and also to give incentives to those who settle them before the deadline.

“We want to encourage crop insurance companies and State governments that have to provide yield data, based on which crop assessments are done, to come forward to expedite the payments due to farmers,” said Radha Mohan Singh, Agriculture Minister.

“As per our proposal, whoever is causing the delay [in settling the claims] will be asked to pay the affected farmers the claim amount, together with a 12 per cent interest for the delayed period, Singh told *Business Line*.

“We are also toying with the idea of giving incentives to those who help hasten the process of claims settlement,” said Singh. But he did not elaborate on what sort of incentives would be given if the settlements are done well in advance.

Under the operational guidelines of the Pradhan Mantri Fasal Bima Yojana (PMFBY), launched in 2016-17, the State government is responsible for providing yield data captured through crop cutting experiments (CCEs) to insurance companies. Once the companies received the yield data, which is used for the damage assessment, the claims need to be settled within three weeks from the date of data receipt.

Delays caused

But there have been inordinate delays in settling the claims. For instance, in a written answer in Rajya Sabha last month, the government said that during kharif 2017 season, claims worth Rs 16,448 crore were estimated and Rs 13,768 crore approved. Of this, only claims worth Rs 11,899 crore have been settled by the insurance companies.

The delay in settlement of claims was among the major reasons why there was a drop in the number of farmers going in for PMFBY. In 2017-18, there was a drop of 17 per cent in enrolment for the crop insurance scheme.

The Minister, however, is hopeful that these issues will be resolved with the wider use of technology in CCEs. The Ministry has already engaged as many as nine agencies, including Ahmedabad-based Space Application Centre; National Remote Sensing Centre, in Hyderabad; and private weather management companies such as Skymet and Weather Risk for carrying out pilot studies for different crops across the country.

Source

These pilot studies were to be carried out during the current kharif season and the forthcoming rabi season, and the organizations have been given time till February next year to submit their final reports.

Back

India: Delay in settlement of crop insurance claims could invite penal action – Asia Insurance Review

India's Agriculture Ministry has recommended laying down provisions to punish delays in payment of crop insurance claims. It is also working to incentivize those who settle the claims before the deadlines.

Indian agriculture minister Mr. Radha Mohan Singh speaking to the financial daily Business Line has said that his ministry has proposed to the Finance Ministry that whichever agency causes the delay should be liable to pay the claim amounts to the affected farmers together with interest at 12% for the period of delay.

Timely settlement of claims will be incentivized
According to the Business Line report, Mr. Singh has said that his ministry is also exploring the "idea of giving incentives to those who help hasten the process of claims settlement".

The delay in settlement of claims has been a major reason for a drop in the number of farmers opting for the government sponsored crop insurance scheme Pradhan Mantri Fasal Beema Yojana (PMFBY). In the fiscal year ended March 2018 there was a drop of 17% in enrolment in the PMFBY.

Poor claim settlement record
The Business Line report says that in an answer to a question in Parliament last month, the government had stated that during 2017 kharif crop (monsoon crop) season, claims worth INR16,448 crore ($2,313m) were estimated and claims for INR13,768 crore were approved. Of this, claims worth only INR11,899 crore have been settled by the insurance companies.

With wider use of technology in crop cutting experiments, the Agriculture Ministry is hopeful of these issues being resolved soon.

Agencies appointed for pilot studies
The ministry has engaged nine agencies to carry out pilot studies for different crops across the country. These pilot studies were to be conducted during the current kharif season and the forthcoming rabi (winter crop season). The organizations have to submit their reports by February next year.

Lack of awareness returns poor enrolment
In a related development a survey carried out by Weather Risk Management Services in eight Indian states earlier this year has found that only 28.7% of the sampled farmers were aware of PMFBY.

According to the survey, the farmers complain that the process of enrolment for non-loanee farmers (those farmers who have not obtained loans from banks) is quite cumbersome, necessitates several certifications and consumes a lot of time.

The survey findings also note that of those farmers who are aware of PMFBY, only 12.9% could get their crops insured, of which 77% were linked to loans. However, there is high willingness to join the PMFBY amongst those farmers who could not get themselves insured due to various reasons.

The survey has pointed out that the main reason for low enrolment in the crop insurance scheme is the lack of trained resources and lack of awareness at every stage of implementation of the scheme.

Transparent platform for grievance redressal required
The survey report has said that there is a need for a transparent platform wherein insurance application, survey request and payment status can be checked. Grievances of farmers and insurance companies can be redressed via a grievance redressal mechanism which can be set up by the government in advance.

Source

Motor Insurance

New rules of third-party insurance: Should you buy package or bundled policy now? - The Economic Times – 6th September 2018

If you buy a car after September 1, a portion of your motor insurance premium representing the third-party (TP) liability has to be paid upfront for three years. This means that new car owners will have to shell out more for their motor insurance policies in the first year. For new two-wheelers, the premium for third-party liability of five years will have to be paid upfront.

Following a Supreme Court order, the Insurance Regulatory and Development Authority of India (Irdai) has asked all general insurance companies to offer long-term third-party motor covers to policyholders.

Among the two types of car insurance in India, the third-party (TP) car cover serves to protect the insured from claims arising from a third party, when the insured person's vehicle is at fault. This cover will pay for any fiscal liability that arises out of the accident.

As per the rules, no vehicle can run on the road without TP insurance. Based on the capacity of the car or two-wheeler, the third-part premium rate is fixed and notified by Irdai at the start of a financial year. Elsewhere, an Own Damage (OD) or a Comprehensive Policy covers loss or damage to the vehicle insured in addition to all the covers provided by a third-party policy.

For new buyers, there will be three options to choose from - Buy a long-term package, a bundled package, or stick to a standalone TP cover. Here is a closer look at each of these options:

Option 1. Long-Term Package Cover: (TP=3 Years Plus OD=3 Years)
Such a cover will offer both motor third-party insurance and own damage insurance for three years or five years, as the case may be.

Watch outs - For those who wish to pay in one-go, this is a suitable option. However, switching to another insurer on account of lower own-damage premium in the next year is not possible. Further, outflow in the first year rises. "Cost upfront is too high.

And since most customers are forced by the car seller to take insurance from them only, they will end up paying a lot more for the vehicle," says Tarun Mathur, Chief Business Officer, General Insurance, Policybazaar.com. If you do not want to buy this variant of the insurance cover and are being forced by the car salesman to get one, do know that you are under no compulsion to do so.

Option 2. Bundled Cover: (TP=3 Years Plus OD=1 Years)
Such a cover will offer a three-year or five-year term (as applicable) for the third-party component and a one-year term for Own Damage.

Watch outs - Those who want to keep the premium outflow controlled should go for this option.
Of the above two options, here is what Vijay Sinha, CEO, DHFL General Insurance suggests, "Customers purchasing a car using the financing option need to keep in mind that the interest charged on vehicle finance is in the range of 11-15 percent p.a. While insurance companies do provide credit for interest in their long-term pricing, it is usually in the range of 6-8 percent p.a.

Accordingly, there is an additional burden on the customer of financing the 3 year insurance upfront, which over a 3 year policy can work out to be in excess of 10 percent of the premium. This impact can be mitigated by deferring the purchase of future years own damage cover which means going for Option 2."

Option 3. Standalone Third-Party Only cover: (TP=3 Years without OD)
This option always existed for anyone buying motor insurance. The only change is that now one has to purchase TP for 3 or 5 years, , as the case may be.

Watchouts - "In case of standalone TP Only policy, while it saves premium, you will end up without insurance cover for your vehicle damage which may turn out to be a big loss in case of major accidental damage or theft of the vehicle," says Animesh Das, Head of Product Strategy, ACKO General Insurance.

What you should do

Many individuals buy insurance at the time of purchasing a car or bike from the dealers itself. And with the introduction of multi-year third-party covers, it becomes all the more important that you make an informed decision.

"Customers should compare various insurers and plan options before opting for one since the cost that they pay upfront now will be higher compared to what it was earlier. They should compare and buy the best option and should be wary of people who misrepresent that cashless, warranty etc. will not be available if they don't buy insurance from them," informs Mathur.

Source

Back

10-fold increase in vehicle purchase before rollout of new insurance policy – The Times of India – 6th Sept 2018

The number of vehicles registering with the Regional Transport office (RTO), Aurangabad shot up 10 times before the new vehicle insurance scheme came into being in September. On any given day, the RTO office registers 10-20 two-wheelers and around 150-200 four wheelers.

Assistant regional transport officer Shrikrishna Nakate confirmed that vehicle registration had shot up almost 10 times during August end. “We registered nearly 2,000 two- wheelers and 200 four-wheelers at the month end. The rush was obviously to save money before the new insurance rules came into play,” said Nakate.

Terming the registration of vehicles as a record of its sort, RTO authorities said the rush of vehicle owners was even more than on festival like Dussehra and Gudi Padwa which are considered auspicious occasions for buying new items. A section of automobile dealers also reached out to potential customers with an appeal for buying new vehicles before the new insurance scheme rolls out.

“I had inquired about buying a two-wheeler with one of the leading automobile dealers. I was flooded with messages, advising me to purchase before August 31 owing to the increase in the overall prices of vehicles,” said Diksha Lohe, a college faculty.

Acting on the directives of the Supreme Court, the Insurance Regulatory and Development Authority of India has made it obligatory for buyers to purchase at least three years of third-party insurance for four-wheelers and at least five years of third-party insurance for two-wheelers.

The third party insurance is a cover against liabilities if the vehicle meets with an accident that results in injuries or death to a third party. In such incidents, the insurance company pays the claim to the third party. The third-party insurance is the most basic and cheapest of motor insurance and does not cover the damage done to the vehicle owner but makes sure that any third person involved in an accident gets the claim after verification.

Surendra Devkar, a sales manager with Automotive Maruti Suzuki Showroom, said the car prices have gone up in the range of Rs 6,000 to Rs 20,000 due to the new insurance rules and the price revision by the company. “Even if there was a certain surge in buying vehicles before August 31, we expect the sales to dip in the future for all automobile manufacturers due to cost escalation,” said Devkar.

Source

Back

New third-party motor insurance rules: Who pays more and what happens to NCB - The Economic Times – 4th September 2018

Planning on buying a new car or bike? Well, you will have pay a lot more upfront for the insurance policy from now on.

This is because from September 1, a portion of your motor insurance premium (covering third-party liability) has to be paid upfront for three years thus increasing your outflow in the first year. For two-wheelers, premium for third-party liability of five years will have to be paid upfront. According to the Insurance Regulatory and Development Authority of India's (Irdai) diktat, such multi-year or long-term policies are now mandatory while buying a car or bike.

As per the rules, no vehicle can run on the road without third-party insurance (TP). This insurance covers the damage or loss caused to a third-party in an accident caused by the policyholder.

Before we see what has changed and what will be the impact, let us see what remains unchanged.

What doesn't change?

1. No impact while renewing old policies: The new rule applies only for new private cars and two-wheelers purchased on or after September 1, 2018. The registration date will be considered as the date of purchase. This means, for existing policies as and when the renewal date comes up, the one-year premium payment continues. Some insurers, however, have been offering multi-year policies since long, i.e., two years for car cover and three years for two-wheelers.

2. Only third-party outflow goes up: The upfront premium for 3 or 5 years has to be paid only on the third-party liability and not on the own-damage (OD) section. Based on the capacity of the car or two-wheeler, the third-part premium rate is fixed and notified by Irdai at the start of a financial year.

3. No Impact on IDV : The new rules will not impact the insured's declared value (IDV) of the vehicle. The IDV is be fixed on the basis of the manufacturer's listed selling price of the brand and model as the vehicle insured at the commencement of insurance or renewal and adjusted for depreciation in each subsequent year.

4. Impact on no-claim bonus: The NCB is applicable only on the OD portion and not on the TP portion of the policy. The discount on the premium if there is no claim in the previous year is provided on the OD premium. "NCB will be computed after completion of policy term i.e 3 or 5 years. The exact structure is expected to be out before 15th September 2018, which will also confirm whether it's going to be different with respect to insurers. However, it is safe to assume that it will follow the same structure which is currently in place, says Tarun Mathur, Chief Business Officer, General Insurance, Policybazaar.com.

What are the changes

1. Impact on premium outflow : The net outflow will be more in the first year. Instead of making annual premium payments, the TP premium will have to be paid as an upfront-lumpsum payment. Saying that the premium has increased by a certain multiple may not be the right way. The third-party premium i.e. the tariff is fixed by IRDAI. In the new rule, only the outflow has increased in the first year, while no premium is to be paid in 2nd and 3rd year. As we see below, the tariff has also increased for certain categories.

2. TP Tariff has gone up: For new cars, except for below 1000 cc segment, premium for all other car owners will be more. See new TP premium rates below.

Here are the new TP premium rates: (September 1, 2018 to March 31,2019)

Not exceeding 1000 cc: This segment stands to gain. Instead of Rs 1,850 which totals Rs 5,550 for 3 years, the new long-term TP rate will now be Rs 5,286, a gain of about Rs 264.

Exceeding 1000 cc but not exceeding 1500 cc: This segment stands to lose. Instead of Rs 2,863 which totals Rs 8,589 for 3 years, the new long-term TP rate will now be Rs 9,534 (almost 3.33 times more), an extra amount of about Rs 945.

Exceeding 1500 cc: This segment stands to lose. Instead of Rs 7,890 which totals Rs 23,670 for 3 years, the new long-term TP rate will now be Rs 24,305, an extra amount of about Rs 635.

New rules of third-party motor insurance for new cars* : Impact - Who pays more, who pays less				
	Existing tariff (annual)		New tariff (One-time)	
	April 1, 2018 to March 31, 2019	Total Outflow	April 1, 2018 to March 31, 2019	Difference (Rs)
Not exceeding 1000 cc	1850	5550	5286	Rs 264 lesser
Exceeding 1000 cc but not exceeding 1500 cc	2863	8589	9534	Rs 945 extra
Exceeding 1500 cc	7890	23670	24305	Rs 635 extra
All figures in Rs				
* Long term premium rate for 3 year TP (Sept 1,2018 to March 31, 2019)				

"Looking at the current slab IRDAI has lowered the TP premium of the first slab (less than 1000cc) and increased the TP premium of other two slabs (greater than 1000cc and greater than 1500cc) for the multi-year policies. This could be attributed to the data IRDAI has for TP claims registered with insurance companies," says Mathur.

Animesh Das, Head of Product Strategy, ACKO General Insurance, also agrees that TP rates were anyhow going to rise next year. "IRDAI does the revision of the TP pricing every year basis multiple factors like severity of claims, frequency etc. If the expected TP premium in 1000 to 1500 CC was supposed to increase next year, it was logical to built-it in the pricing of the long term product itself," says Das.

Premium paid

The premium has to be collected for the entire term (three years or five years as the case may be) at the time of sale of insurance but would be recognized on a yearly basis. According to IRDAI, "It shall be recognized for each year as 1/n of total premium as Gross Written Premium during that year where 'n' is the term of the policy. Thus, the premium for the year shall only be recognized as income and the remaining premium shall be treated as 'Premium Deposit' or 'Advance Premium'."

Background

Following a Supreme Court order, the insurance regulator has asked all general insurance companies to offer only long-term third-party motor covers to policyholders. Through a circular issued on August 28, Irdai directed insurers to offer only three-year motor third-party covers for new cars and five-year policies for new two-wheelers.

Irdai, in its circular states, that this is in line with the Supreme Court's order, dated 20 July, 2018, where it had said, "We make it clear that the third party insurance cover for new cars should mandatorily be for a period of three years and for two-wheelers, it should mandatorily be for a period of five years. This may be taken and treated as a separate product. The decision should be implemented from 1st September, 2018 on the policies sold."

Source

Back

Long-term third party insurance: How will it impact you – The Economic Times – 4th September 2018

If you are planning to buy a car or a two-wheeler, be prepared to spend more on insurance. The Insurance Regulatory and Development Authority of India (Irdai) has directed insurers to start offering three- and five-year third party liability covers for new four-and two-wheelers respectively and has spelt out the premiums.

The regulator's move is in line with a Supreme Court order that mandated long-term third-party covers, considering that only six crore out of the total 18 crore registered vehicles on Indian roads are insured. “It is a positive move, given that many forget to renew their policy after the initial years,” says Rakesh Jain, CEO, Reliance General Insurance.

It will also mean more certainty in terms of price as well as compliance. “Vehicle-owners often miss renewing their covers. With long-term covers, this uncertainty is eliminated. For third parties, there will be no doubt on the insurance status of the vehicles. The new rule will benefit the entire ecosystem,” says Sanjay Datta, Chief, Underwriting, Claims and Reinsurance, ICICI Lombard General Insurance.

The implications

As with any major regulatory change, this move, too, comes with its share of advantages and drawbacks. “It will offer price stability and convenience as customers will not need to renew their policy every year and will also be insulated from yearly hikes in third-party premiums. It will minimize the presence of non-insured vehicles,” says Subrata Mondal, Executive Vice President (Underwriting), IFFCO Tokio General Insurance.

A comprehensive motor insurance policy comprises third-party (TP) cover, own damage (OD) component and add-ons, out of which, only the third-party element is mandated by law. “For two-wheeler owners, this is a good move. This segment slips up on renewing policies every year and premiums are lower. But for car-owners, it will mean a steep one-time premium outgo,” says Kapil Mehta, Co-founder, Secure Now. in, an insurance broking firm.

For insurers, offering a combination of say a three-year third-party cover and an annually-renewable own damage component could be complicated. “The challenge lies in pricing and ensuring easy administration in case of a bundled product as it has a long-term TP cover and yearly OD part,” says Mondal. Affordability therefore, will be majorly affected.

While most insurers have largely welcomed the move, some players argue that though this move was necessary for the two-wheeler segment, for the private car category, it will only mean higher costs with little or no benefits. "As per Insurance Information Bureau (IIB) data for 2016-17, the insurance renewal rate for the private car segment is upwards of 90% in the first three years, so there is no problem of compliance. Why is the customer being burdened by being asked to pay for three years and being robbed of the freedom of switching insurers?" asks the CEO of a private general insurer, who did not wish to be named.

TYPE OF VEHICLE AND ENGINE CAPACITY	ANNUAL THIRD PARTY RATES BEFORE (₹)	LONG-TERM THIRD PARTY RATES NOW* (₹)
PRIVATE CARS		
Not exceeding 1,000 cc	1,850	5,286
Exceeding 1,000 cc but not exceeding 1,500 cc	2,863	9,534
Exceeding 1,500 cc	7,890	24,305
TWO-WHEELERS		
Not exeeding 75 cc	427	1,045
Exceeding 75 cc but not exceeding 150 cc	720	3,285
Exceeding 150 cc but not exceeding 350 cc	985	5,453
Exceeding 350 cc	2,323	13,034

*Three years for cars and five years for two-wheelers. Source: Irdai

"Providing long-term insurance will only increase the cost to customer and potentially act as deterrent." He contends that the onus of ensuring the vehicle is insured ought to be on law enforcement agencies. "Why can't the authorities check the third party insurance too? If not available, there should be a fine. Gap in enforcement is the problem, but it is being solved by placing a burden on the customer," he rues.

The intricacies

A clear picture on the workings will emerge only after insurers fine tune the nitty-gritties. "Premiums and no-claim bonus for the own damage component will have to be worked out. It is too early to comment on what shape the new structure will take. Insurers should follow a uniform approach," says Jain.

Two insurance companies –New India Assurance and ICICI Lombard – have been offering long-term covers for two-wheelers since 2015. Now, Irdai has allowed insurers to offer comprehensive long-term packages offering both third party and OD policies as well as bundled products where the third party element will carry the applicable long-term tenure while the OD component can be renewed yearly.

The OD pricing will be decided by the insurers. It has also allowed insurers to issue long-term add-ons. "Policyholders will have the long-term third party cover in place for five years and will only need to renew the own damage cover every year. If they choose a five-year own damage cover, the no-claim bonus will come into play after the end of this period. We already do it for our Longterm two-wheeler covers," says Datta. Given that the long-term third party covers are now compulsory as per law, you have little choice in the matter. However, you can exercise your choice in case of the own damage and add-on covers.

Source

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Vehicle insurance: No clarity on renewal of 3rd party cover – The Times of India – 3rd September 2018

Despite the new motor vehicle insurance scheme in effect since September 1, there is still no clarity on renewal of existing policies.

Official data shows that every year, more than 2.19 crore vehicles are due for renewal of insurance. But trends suggest that nearly one-third do not renew policies annually due to various factors. Of this, only 30,000 vehicles are penalized by transport authorities and police. Tamil Nadu earns more than 2,000 crore a year from Third Party Insurance Premium for Motor Vehicles.

Now, renewal period for new vehicles to be registered from September 1 has been extended up to three years for cars and five years for two-wheelers. The guidelines issued by the Insurance Regulator and Development Authority of India (IRDAI) on new long-term insurance covers, based on a Supreme Court order, don't speak much about the renewal scheme for vehicles already on the road.

"Given the hesitation expressed by insurance firms in renewing Third Party Insurances (TPIs) because of the losses associated with the process, we fear that these firms might force the public to opt for a long-term cover, a provision for which is available in the existing set of rules," V S Suresh, a high court advocate handling road traffic cases, said.

The manager of a government insurance firm, requesting anonymity, said hardly anyone opts for long-term cover when it is available for renewal, despite benefits like no change in insurance premium for the entire cover period and service tax exemption.

"The new insurance scheme might reduce the renewal figures further. IRDAI guidelines are not strictly followed and no action is taken in case of violations," he said. A senior transport department official said the recent IRDAI guidelines specify that other extant rules pertaining to TPIs would continue but it doesn't specify what insurance firms should follow.

Source

Back

Insure your vehicle & stay safe on road - Financial Chronicle – 3rd September 2018

India, which has witnessed significant growth in the last few years, has gained the distinction of being the fastest growing major economy in the world. This has resulted in the upliftment in the standard of living for India's young and aspiring population.

The automobile sector, which is considered one of the biggest indicators of economic progress, has seen a major uplift in demand. India has already surpassed China to become the world's biggest market for two-wheelers. In 2017, 17.7 million two-wheelers were sold in the country against 16.8 million in China. The same year, sale of cars and SUVs increased the fastest since 2013 to cross the 3 million mark for the first time.

While the progress in terms of economic and purchase of assets has been impressive, the country's infrastructure has not kept in sync. Even though the government has pursued increasing the momentum of road development significantly, the vehicle density especially in the larger cities remains high. Cities like Mumbai have a density of over 430 cars per km of road. At the end of 2015, India had 4.5 million km of roads compared with 3.37 million km in 2001. Compare this to 55 million vehicles running on Indian roads in 2001. This number had swelled to over 210 million by 2015 end.

A direct outcome of this situation is the increase in road accidents, resulting in fatalities or injuries. In India, around 1,50,000 people are killed in road accidents every year. This is equivalent to one accident every four minutes. Compare this to developed countries such as the US where around 40,000 people are killed in road accidents every year. Worse, in most cases, the victim or deceased does not get adequate compensation given that many vehicles are not insured.

As per estimates, motor insurance for around 60-70 per cent two-wheelers and around 40 per cent cars is not renewed once the vehicle becomes 2-3 years old. This is despite third party insurance being mandatory as per law.

In 2016, few insurers including ICICI Lombard introduced long-term two-wheeler motor insurance policies wherein customers could renew insurance for 2-3 years. This longer duration cover offered lot more convenience since customers did not have to go thru the hassle of renewing their policies every year. Further, they were protected from any premium hike in the third-party motor insurance rates that are released by the insurance regulator every year. These policies also aimed at addressing the under-insurance challenge as two-wheelers could be insured for 3 years in one go.

The recent announcement of long-term motor policies for new vehicles by the insurance regulator in line with the Supreme Court directive is a step in the right direction. It will help address the problem of under-insurance in the beginning itself i.e. at the time of vehicle purchase.

The announcement pertaining to launch of long-term motor policies entails all new four-wheelers to be sold with a 3-year third party motor insurance and all new two-wheelers to be sold with a 5-year third party motor insurance. Non-life insurers would also have the option to sell long-term package cover comprising long term third party cover as well as long term own damage cover. Else insurers could sell only long-term third party cover and continue to offer one-year own damage cover to the insured.

The regulator has announced the premium rates on the long-term third party component for different vehicles depending on the engine capacity. This will ensure that customers are aware of the pricing that they would be charged when it comes to the long-term third party cover, eliminating any ambiguity in this regard. For instance, for two-wheelers of capacity between 75 cc and 150 cc, the third-party premium for a 5-year policy would be Rs 3,285. Similarly, in the case of a car with engine capacity between 1,000 cc and 1,500 cc, the third-party premium for a 3-year policy would be Rs 9,534 for the 3-year duration. Insurers will not be allowed to change the third party premium rate during the 3-5-year period as the premium would be collected upfront from the customer.

This is a significant move and will go a long way in improving the motor insurance penetration in the country. With a long-term motor policy being offered at the time of vehicle purchase, the regulator has made sure that these vehicles continue to be insured for the long-term from day one. At the same time, customers will not face the hassle of having to renew their motor insurance policy every year, at least with regard to the third-party insurance component.

For a country where road accidents are a serious issue, facilitating the long-term insurance of vehicles will help in the claim compensation process. Another benefit for customers is that they would not have to worry about any increase in third party premium rates and other aspects such as past claim history for the industry.

Motor insurance is a very important safety aspect for any vehicle plying on the road. As India continues its growth trajectory, it's important that we manage the underlying risks that can emerge in this journey. The non-life insurance industry has embarked on a momentous trip with long-term motor policies; time will tell how far reaching were the benefits of this initiative.

Source

Back

Multi-year insurance plans to add to initial cost of new vehicles – Mint – 3rd September 2018

The Insurance regulatory and Development Authority of India (Irdai) has asked general insurance companies to start offering multi-year third-party insurance policies for all new private cars and two-wheelers. The directive came in a circular on 28 August, following an order of the Supreme Court on 20 July. The court had ordered that from 1 September, third- party insurance cover for new cars should mandatorily be for a period of three years and for five years for two-wheelers.

While insurance companies have been offering multi-year policies of up to three years for two-wheelers, there are no such policies for four-wheelers. Also, the SC order pertains only to third-party insurance for new private cars and two-wheelers.

Front-loaded costs

The premium amount for three or five years will now get bunched up at the time of purchasing the vehicle

Figures in ₹

Private cars: Engine capacity	One-year third-party policy premium (2018-19)	Three-year third-party policy premium (September-March 2018)
<1000 cc	1,850	5,286
1000-1500 cc	2,863	9,534
>1500 cc	7,890	243,05
Two-wheelers: Engine capacity	**One-year third-party policy premium (2018-19)**	**Five-year third-party policy premium (September-March 2018)**
<75cc	427	1045
75-150 cc	720	3285
150-350 cc	985	5453
>350 cc	2323	13034

Premiums only for third-party insurance policy

Source: Irdai

A motor insurance has two components—third-party liability and own damage. It is mandatory for all registered vehicles to have a third-party cover.

Impact on policy

As a buyer of a new vehicle, you will now have three options. "Either you can take only a third-party policy for three or five years, or you can take a comprehensive policy for three or five years, or you can take a third-party policy of three or five years and one-year own damage policy (comprehensive for a year). But the ticket size of the policy will go up," said Animesh Das, head of product strategy, Acko General Insurance.

You will have to remain with the same insurer till the third-party policy expires, which will be three years for a new private car and five years for a new two-wheeler.

"The regulator will have to permit standalone own damage policies going forward, which is what the consumer can buy in subsequent years for a single year at a time," said Rupam Asthana, chief executive officer, Liberty General Insurance.

Impact on cost

The immediate impact will be on the total amount that you will spend as a vehicle buyer.

Irdai has notified third- party premiums for multi-year policies. The new premium is not just a multiple of the existing third-party premium: in some cases, like small cars and two-wheelers, it is less than three times or five times the current premium. In others, it is higher by three or five times the current premium.

Third-party premium has gone up each year in the past five years; it is based on the claims experience of the past years, Das said. “Third-party losses for small cars are lower compared to large cars. Hence our understanding is that the revision in premium for small cars and two-wheelers is on the lower side and the revision for large cars and bikes on the higher side,” he said.

The largest issue will be the increase in the initial cost for consumers, Asthana said. “For a buyer of a high-end car, the third-party premium is substantial.

While she may have paid the same amount over the years in premium, but the upfront payment will result in some financial pressure,” he said. For two-wheelers, the sudden increase in the initial cost may deter a few purchases, as this segment is fairly price-conscious, Asthana said.

Source

But remember, you don’t have to pay anything in subsequent years of the policy term.

Back

Long-term third-party motor insurance mandate kicks in – The Times of India – 2nd September 2018

People looking to buy new vehicles, including two- and four-wheelers, will have mandatorily buy long-term motor cover from now on. Under the government policy, new four-wheeler buyers will now have to purchase a three- year third-party insurance and all two-wheeler will have to mandatorily buy a five-year cover.

The move follows July 20 judgment of the Supreme Court, which observed that about 66% of vehicles were running on road without any third-party insurance cover and the victims of accidents were not getting compensation because the vehicles were not insured.

“Most people buy their vehicles on loans (hypothecation). To cut cost, they end up buying the bare minimum cover. We have seen that people start opting for third-party cover after their vehicles are 6-7 years old,” Pune-based insurance advisor, Deepashree Dhule, told TOI.

This attitude often proves costly. For instance, Pimpri’s Gopalakrishnan Iyer had a rough time getting compensation after he and his son met with an accident in Ajmera. It took him almost three years to get Rs 4.5 lakh in settlement.

By law, the motor accident claims tribunal has to decide the third-party payout amount in case of injury or death to the victim. The same is based on the perceived earning potential and the residual age of the victim. However, since it takes about 4-5 years on an average for a third-party claim to be adjudicated, parties go in for a mutual settlement.

For insurers, motor vehicle claims continue to be on top of the list. Third-party claim ratio for the industry was 101.6% for financial year 2016-17 and 95.9% for financial year 2017-18.

“People often drive quite rash and it is a headache for the insurers. Every year, motor vehicle insurance claims go up. Even though the third-party premiums have gone up by almost 2.5-3 times in the last decade, insurers are not too keen to push this cover,” an insurance agent said.

Some industry players, however, were upbeat at the prospect that the new law brings. “The move will certainly contribute in increasing the penetration of third-party motor insurance because despite being mandatory at present, not all vehicles plying on the roads are insured.

Source

Compared to four-wheelers, a bigger percentage of two-wheelers remain uninsured,” Sanjay Saxena, head – Motor Underwriting and Motor Claims, Bajaj Allianz General Insurance, said.

SC no to vehicle insurance cover deadline extension - Financial Express – 1st September 2018

Buyers of new cars and two-wheelers will have to purchase upfront insurance cover for three and five years, respectively, from Sunday, with the Supreme Court on Friday dismissing a plea by the General Insurance Council seeking extension in the long-term third party insurance rollout.

A Bench led by justice Madan B Lokur refused to modify its July 20 that had barred automobile companies to sell four-wheelers and two-wheelers without a mandatory third party insurance for a period of two years and five years, respectively, from September 1.

The General Insurance Council, which represents all 25 general insurance companies that operate in the motor vehicle insurance field, said insurance companies can only issue insurance policies for a longer duration of 3 years and 5 years as mandated by the SC, but the compliance and enforcement have to be carried out by the police department or the officer of the motor vehicles department.

Without a similar direction to regional transport authorities to register new vehicles for such duration as prescribed by the SC, insurers cannot force upon vehicle owners an insurance policy for the period of 3 or 5 years, without verifying the proof of vehicle ownership, etc., the council stated.

Seeking modification of its July 20 order, additional solicitor general Tushar Mehta, appearing for GIC, wanted a direction to police officials across the country to ensure valid insurance papers of vehicles plying on roads. Besides, GIC sought a direction to RTOs not to register cars beyond 5 years and two-wheelers beyond 3 years without long-term insurance policy having third party liability insurance as standalone or a comprehensive policy.

However, amicus curie Gaurav Agrawal opposed the GIC's application saying all the intimations have been given to RTOs and police officials and no change could be made now.

The SC had in July endorsed the suggestion of a committee on road safety, chaired by former apex court judge KS Radhakrishnan, that had asked Irdai to offer a mandatory three-year policy for cars and a five-year policy for two-wheelers at the time of sale and registration.

The long-term policy for three years for car and five years for two-wheelers will be offered only for third party insurance and not for the comprehensive cover. Driving any vehicle without third-party (TP) insurance is an offence and attracts a fine of up to Rs 1,000 with a possible jail term of three months.

According to sources, only 6.5-7 crore vehicles have insurance cover, against approximately 18 crore registered vehicles. Almost 50% of vehicles plying on roads have no valid insurance and a large share of them were two-wheelers.

The order had come on a PIL filed by Coimbatore-based orthopaedician S Rajasekaran, who sought a direction to all states and Union Territories to frame a road safety policy and the setting up of a lead agency to work as secretariats of state road safety councils to coordinate on activities such as licensing issues, registration of vehicles, road safety and features of vehicles.

Source

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Opinion

From opting for systematic withdrawal plan to buying health insurance; know how you can help your parents financially – Financial Express – 7th September 2018

The writer Arun Thukral is MD & CEO, Axis Securities

While many millennials want to support their parents financially in their old age, setting aside resources becomes a tough task. A clear understanding of savings, investments and expenses is essential to gauge the extent of financial assistance required by parents.

Figure out the various instruments they have invested in, insurance that they have taken and loans that are in their name. Talk about their monthly expenses and use online calculators to factor inflation while arriving at the amount they will need to maintain their lifestyle post-retirement. If they are still a few years away from retirement, help them to devise a better financial plan for retirement.

Start young
As you know that at some point in life you have to support your parents, it is better to start preparing from an early age on. Start a systematic investment plan (SIP) in growth instruments like equity mutual funds to let compounding work in your favour. Equities are known to give inflation-beating returns over the long term and investing in it through mutual funds will bring in the benefits of diversification.

Work out a plan
An understanding of the current financial situation and future requirements of your parents becomes the base for your financial planning. Remember, there is no shame in first keeping your own finance on track. This will enable you to identify what amount you can comfortably set aside for your parents. This amount can then be invested in viable options to arrive at the corpus of funds you have discussed.

Opt for SWP
Systematic Withdrawal Plan (SWP) is just the opposite of SIP. Investors can withdraw a pre-defined money from the scheme on a regular basis. It will help to generate an additional cash flow for your parents which can act as a substitute for their salary. While your parents will receive a pre-defined sum on a regular basis, the remainder of investment in the scheme would continue to earn higher returns.

Fund for medical care
Healthcare comprises a major chunk of expense when it comes to taking care of elderly parents. Ensure that your parents buy a health insurance before they turn 50 as few insurers cover people after they cross that age. If they have crossed that age and don't have a health policy, explore options like floater policy and special senior citizens plans.

Plan their second innings
Most parents nowadays do not find the idea of sitting at home, after long years of service or business, appealing. They yearn to be active and retain their sense of independence till their health permits. This is where millennials can make a huge contribution in helping their parents find a purpose. Millennials have started tapping unconventional employment avenues to pursue their passions.

They can use their digital skills and out-of-the-box ideas to assist their parents in finding activities that keep them engaged and bring some additional income without the strain of a hectic job. The idea here is not to force them to earn after working all their life but to give them a sense of satisfaction and meaning by pursuing what they really enjoy doing.

Source

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The dice is loaded against those buying health insurance in India – Mint – 5th September 2018

The writer, Monika Halan is consulting editor at Mint and writes on household finance, policy and regulation.

Both anecdotes and data seem to suggest that Indian health insurance policies that are bought by us as individuals don't pay up as much as they should. As we listen to the stories of our friends and family about the run around given by hospitals and medical insurance firms to pay up claims of a hospital bill, we quietly send up a prayer—please let me not be the one whose claim is rejected if I ever need to use my policy. There is increasing distrust in the medical insurance market for privately bought covers. Covers bought by corporations, called group covers, seem to have less problems of claims getting rejected.

The anecdotes are supported by data. A May 2018 working paper, titled Fair Play in Indian Health Insurance has done a deep dive into the sector. The big findings are two. One, claims are not paid as much as they should be. Two, India has the highest complaints rate when compared with other countries.

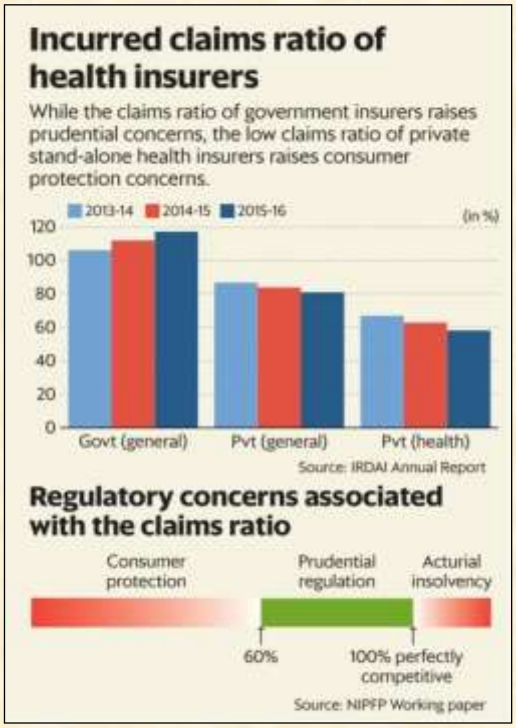
The claims ratio is a key number to judge if the insurance industry, in general and a firm, in particular, is being fair to its customers. A claims ratio shows how much of the premium collected is paid out. A claims ratio of 100% means that the company is efficient. A claims ratio of over 100 means that the firms are unviable—they are paying out more than they are getting.

Most of the Indian public sector health firms have a ratio of over 100%.

The problem sits in the data for private health insurance claims ratios: these are at 58% in 2015-16, down from 67% in 2013-14. The paper says that such low claims ratios raise the issue of consumer protection. "The observed claims ratio in India would have triggered mandatory refunds if they were operating in the US," says the paper.

Some countries make refunds to consumers mandatory if the claims ratio is below a certain threshold. For example, a claims ratio of below 80% in New York will trigger a refund. A poor, and declining, claims ratio in India points to high costs and an unwillingness to pay privately bought health covers. The paper also finds that India has the highest complaints rate when compared to other countries.

The paper also uses case studies to show the unwillingness of insurance firms to even abide by the contracts they have written themselves, their arrogance in not even appearing for hearings when the customer goes to court and the irrelevance of the paltry fines imposed by the regulator when firms are found guilty. The paper documents the failure of the ombudsman system in insurance. Of the 17 ombudsmen in India, in March 2018, "all offices of the insurance ombudsman were vacant. Some of these offices were vacant for 2-3 years in 2017 resulting in a large backlog of cases".



The dice is clearly loaded against an individual buying health insurance in India. When a market gets privatized, as insurance did in 2001, the government appoints a regulator to make sure that the rules of the game are put in place and there is no market failure. Unfortunately, for the Indian consumer of insurance products, while a regulator was put in place, it took forward the basic mindset of a monopoly market in which consumers did not matter. We need an urgent change in regulatory thought in medical insurance. The regulator needs to shed its capture by the industry and work in consumer interest.

We have no option but to buy medical cover given the high and extractive costs of Indian hospitals. Today we are at risk of paying a hefty health insurance premium for years and then also facing the risk of the insurance firm refusing to pay for an imagined or convoluted reason. For example, this paper documents the case where an insurer refused to pay for an organ donation surgery despite the policy explicitly having a clause that covered the costs of this organ transplant. In another case, the insurer did not even bother to appear in court when taken to court for non- payment of a claim.

What can we do? First, be very sure of what policy you are buying. There is fine print and exclusions that will hurt you when you go for a claim. Use the Mint Secure Now Mediclaim Ratings to choose a policy—we've done a deep dive to figure out which are the policies with good features and reasonable costs. Second, go through an agent or broker who you know and can lean on to push the insurance company to pay up. Third, if the company refuses to pay up, make a big noise about it. The unwritten rule in some firms is to pay the claim if the customer makes a lot of noise. Even as the government is rolling out a medical cover for the poor, it also needs to push the insurance regulator and the medical system to treat the patient fairly.

Source

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Will health insurance plans cover mental illness comprehensively? – Mint – 3rd September 2018

Mayank Bathwal, Chief executive officer, Aditya Birla Health Insurance

As per National Mental Health Survey of India for FY16 conducted by the National Institute of Mental Health and Neuro Sciences, nearly 15% of adult Indian population suffers from mental health issues which require active intervention.

The latest regulatory guidance enables "provisions for medical insurance for treating of mental illness on the same basis as is available for treatment of physical illness". While this comes as a general guidance, the insurers have to find answers to how the offering may be structured and what shall stand excluded prudently.

The challenges which insurers may encounter are around the current industry experience and how the pricing may get impacted by offering mental health coverage. The underwriting mechanism would need to be structured to gauge mental condition and charge cautiously to the customer, to ensure fair pricing.

This move is in line with offerings in developed nations, ensuring long-term growth for the industry and certainly is a positive step.

Varun Gera Founder and chief executive officer, Health Assure
Introduction of Mental Health Act will have an overarching impact as it provides the right for mental health to every citizen. It also requires insurance policies to place mental health treatment at par with physical health.

It will provide easier access to mental treatment, and will help evolve a better mental health delivery infrastructure and include this in the mainstream medical delivery which needs attention. This would be available to most customers having health insurance policies who need hospitalization for mental health. Health insurance policies which cover OPD will cover hospitalization and mental counselling and associated medication. It will also create more supply of mental health delivery and reduction in pricing over time. Since this will be a new coverage, insurance companies will be defining policy guidelines for inclusion of mental health in their existing policies.

Neerja Birla Founder and chairperson, Mpower
The stigma around mental health is deep-rooted and mental health conditions are ignored. Mental illness requires prolonged medical attention, continuous care and support from professionals, which often is a financial burden on families. The increasing costs of treatment, make patients drop out of the treatment cycle.

However, covering mental health concerns under existing insurances may cause a slight rise in the premium since most individuals with these conditions are treated as out-patients. The decision will now encourage people to reach out for professional help.

This will also give us a reality-check on mental health awareness in India. Although, it might be seen as a welcome change by the public, who will have to contribute a little more than usual towards their premiums, the insurance companies might end up facing a crunch given the huge number of individuals.

Mohit Agarwal, MD Employee Health & Benefits, Marsh India Insurance Brokers
With the insurance regulator's circular, we will have more insurance companies participate in developing this segment.

Unlike other aspects of medical insurance where hospitalisation and day care procedures are major requirements, mental illness needs coverage on OPD basis that is access to resources like specialists, counselling, medication and rehabilitation services. Given that insurance plans currently don't cover these, it will not make a major impact on the outcome.

According to Medical Trends Around the World Survey Report 2018 by Mercer Marsh Benefits, mental treatments requiring hospitalisation are far less compared to expert consultations, counselling and medication. In fact, it is seen that in Asia, insurers have seen only 2% of mental illness claims registered under OPD and none for IPD cases.

Our understanding on employers' approach indicates they are not hesitant to implement this move even as it may come at a cost, but the insurance industry needs to innovate.

Source

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Pension

Atal Pension Yojana indefinitely extended, scope broadened; Here's all you need to know – Financial Express – 6th September 2018

The Union Cabinet has decided to indefinitely extend the Atal Pension Scheme, which lapsed in August this year, while doubling the accident insurance and relaxing the age criteria by five years to further incentivise the scheme. Atal Pension Yojana (APY) is a social security scheme launched by the government in 2015 to provide a defined pension between Rs 1,000 and Rs 5,000. Finance Minister Arun Jaitley told the media after the Cabinet meeting on Wednesday that the scheme in its new avatar will expand its focus to target individuals, instead of households.

According to government data, over 1 crore people have benefited from the government's flagship scheme. "The scheme, which was earlier for four years, lapsed in August 2018. But seeing the mass participation in this runaway-success scheme, the cabinet has decided to extend it and keep it open-ended," Jaitley said.

To further incentivize people's participation in the scheme, Jaitley said the government had decided to relax the age criteria for participation in the scheme. "Earlier, people of age 18 to 60 years were entitled to enrol in the scheme. But looking at the rise in average age-expectancy, now we have relaxed it further to 65 years," he said.

Jaitley added that all accounts opened after August 28 will have an accident insurance limit of Rs 2 lakh, double the earlier Rs 1 lakh limit. "We have also increased the overdraft facility of the scheme from Rs 5,000 to Rs 10,000," he said.

He said the Prime Minister's Jan Dhan Yojana is "the largest financial inclusion initiatives in the world". The scheme had in the last four years changed lives of millions of Indians, he added. "Those who were left out of financial system must be brought within it for realising the dream of New India. The NDA government is committed to make life of every Indian better than before. The benefits of the scheme speak loudly about the same," he said.

He added that out of the 32.41 crore accounts have been opened under the scheme, 53 per cent account holders are women, 59 per cent accounts belong to rural and semi-urban areas, and 83 per cent accounts are Aadhar seeded with 24.4 crore having RuPay debit cards. "The Pradhan Mantri Jan Dhan Yojana has been a boon to rural households, especially women, as they are the largest beneficiaries of this scheme, which has not only given them financial independence but has led to empowerment," Jaitley said.

Source

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IRDAI Circular

Source

Health Products for FY 2017-18

Source

Circular dated 19th March, 2018 on exclusions related to Genetic Disorders

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Global News

Global: Reinsurers' returns will barely cover capital costs in 2018 & 2019 – Asia Insurance Review

The reinsurance sector's return on capital is expected to increase to around 6%-8% by year-end 2018, says S&P Global Ratings. However, this remains close to reinsurers' cost of capital, which S&P anticipates will increase modestly through the rest of 2018 and in 2019, remaining within the 7%-8% range.

In 2017, the reinsurance sector generated returns on capital of only 1.2%. At 6.3% below its cost of capital, this represents the worst level in more than 13 years. The impact of the 2017 U.S. hurricane season was a significant factor, but even during the benign first half of 2017, returns were only 1 percentage point higher than the cost of capital.

Despite the optimism reinsurers showed when heading into the 1/1 2018 renewal season, overall reinsurance renewal rates have only modestly increased and the momentum is weakening, as witnessed through the latest renewals. While reinsurers welcome rate increases, their profitability continues to be hampered by persistent competitive pressures within the property/casualty underwriting cycle and low investment returns, which will initially lag the increase in benchmark rates as reinsurers' investment portfolios have an average duration of around 3.4 years.

S&P is also seeing signs that prior-year reserve releases could decline, which will add to the earnings pressure. Some reinsurers have already demonstrated this during 2016 and 2017, following the UK's Ogden discount rate reform, and, in some cases, individual reserve strengthening has even taken place in selected lines like US casualty and Australian disability.

Except for 2011 and 2017, there have been relatively few major catastrophes since 2005 which have helped reinsurers realise returns that have exceeded their cost of capital. For 2018, S&P assumes modest price increases of 0%-5% across the board, with property catastrophe reinsurance pricing still an estimated 30% below 2013 levels.

As of 31 December 2017, the cost of capital for S&P's peer group of global reinsurers had declined by around 250 basis points since 2005, to about 7.5%, including an increase of around 90 basis points during 2017. This overall decline since 2005 is due to a combination of:

- A reduction in the cost of equity, caused by the reduction in risk-free rates, combined with the declining return from competing asset classes such as bank equity investments.
- A reduction in the cost of debt, again caused by lower risk-free rates, combined with overall improvements in the sector's capitalization, and thus creditworthiness.
- A modest increase in the proportion of debt funding on reinsurers' balance sheets today versus (more expensive) equity funding.
- An increase in supply of capital into the reinsurance market as hedge fund investors, pension funds, sovereign wealth funds, and high-net-worth investors look to diversify their portfolios by adding catastrophe risk. These investors have a competitive advantage over traditional reinsurers in that their cost of capital (long-term return) targets tend to be lower than reinsurers' weighted-average cost of capital (WACC), allowing them to profitably assume risks at prices that would be uneconomical for the traditional players.

Investors are likely to stick with reinsurance

Nevertheless, S&P's base-case assumption is that most reinsurance equity investors will reluctantly accept lower returns on their reinsurance holdings, rather than exit the sector. Given prevailing low (albeit rising) interest rates, investors remain hungry for yield.

Should investors withdraw their capital, one consequence would be that reinsurance rates could increase as the excess capital in the reinsurance sector reduces.

On a more normalized basis, the 6%-8% forecast return on capital in 2018-2019 still compares relatively favorably with other industries. Investors have limited options elsewhere that offer more favorable or even comparable returns.

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Australia: Govt drops plan to raise retirement age to 70 – Asia Insurance Review

Australian Prime Minister Scott Morrison has said that the government had abandoned plans to legislate for a rise in the retirement age from 67 to 70. "If they want to keep working, well they can, and things like the pension work bonus and programmes like that will support them in that choice," he said.

"But for those who aren't in that position, then the pension will be there and the retirement age will remain at 67." The decision is significant because it is linked to when Australians can claim the government-funded income-tested Age Pension.

The Age Pension scheme pays out a steady income to eligible Australians, to help them cope with the costs of living. All the monies that are paid out under this scheme come from different types of tax collections.

The government decided in its 2014-15 Budget to lift the age at which Australians can claim the Age Pension from 65.5 years to 67 years by July 2023. It was then due to rise again to 70 by 2035. According to the World Bank, the average life expectancy of Australians is 82.5 years.

The federal government had forecast in 2014 that lifting the retirement age to 70 would save the country A$5bn ($3.6bn) in pension payments over a decade.

The Australian Institute of Superannuation Trustees (AIST) welcomes Mr. Morrison's announcement. Its CEO, Ms. Eva Scheerlinck, said, "Raising the access age for the age pension to 70 would have been unfair and discriminatory to many older Australians who simply do not have the opportunity to continue in paid work."

The Association of Superannuation Funds of Australia (ASFA) also welcomes the announcement. ASFA CEO Dr Martin Fahy said the decision recognizes that many Australians find it difficult to work into their late 60s due to the nature of their occupation and/or their health.

Source

Dr Fahy said, "An increase in eligibility age beyond 67 is not needed on affordability grounds in terms of public finance." However, opponents say that the decision is not in Australia's long-term national interests as the population ages.

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China: Local reinsurers eye CAT business for growth – Asia Insurance Review

China's reinsurers are investing in technology and systems to support the expanded coverage of non-motor and, in particular, catastrophe insurance. These business lines will help sustain growth, although they could expose the sector to more profit volatility, according to an article by S&P Global Ratings, titled "A Decade Since the Sichuan Earthquake, Catastrophe Reinsurance Is Gaining Momentum In China".

"The ongoing expansion into non-motor P&C business offers new growth avenues but will expose Chinese reinsurers to potential volatility, given the rising uncertainties associated with catastrophe exposures, insufficient underwriting expertise, and evolving risk-management frameworks," said S&P Global Ratings credit analyst Ms. Wenwen Chen. "By our estimates, the reinsurance cession rates for China's P&C sector will stabilise at around 9% by 2020."

2018 marks the 10th anniversary of a massive earthquake in Sichuan province that killed more than 69,000 people and caused huge property losses. Back then, less than 1% of losses were covered by insurance claims. In the decade since that disaster, authorities have invested in systems to improve everything from construction standards to insurance markets.

China's property and casualty (P&C) penetration has deepened since 2008, but remains low, with national coverage worth less than 2% of GDP.

S&P expects domestic reinsurers will increase investments in catastrophe modelling to counter uncertainties, following growing catastrophe exposures. This also comes after the establishment of China's first earthquake catastrophe model in 2015.

Source

Until 2015, China had only one dedicated domestic reinsurer, but has since issued three additional such licenses. At 31 July 2018, there are also seven global reinsurers with branches in China.

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New Zealand: 60% of young drivers are insured – Asia Insurance Review

Only 59% of Kiwis aged 18-34 have car insurance, possibly because the cost for under-25s is so high, says the Commission for Financial Capability (CFFC), a government funded entity which builds financial capability to equip retirees.

Noting that in Britain, devices placed in cars to assess safe driving have reduced many young people's insurance premiums by up to 40%, the CFFC is challenging New Zealand insurance companies to consider a similar initiative to make it more affordable for young Kiwis to have insurance when they're on the road, and to drive more safely.

The Commission says that its research shows that New Zealand ranks low for insurance cover among OECD countries. The country ranks 35th out of 45 countries on insurance spend at 2.5% of GDP, compared to the OECD average of 8.4%. New Zealand sits well below the US in 6th spot at 11.2%, the UK in 9th at 9.2%, and Australia in 21st at 4.9%.

The CFFC's Financial Capability Barometer quarterly survey of 2,000 New Zealanders finds that only half of those surveyed could count on insurance to cover property loss due to theft, serious damage to their home through disaster or weather, or car crash or major breakdown.

Income protection was one of the least favored forms of insurance, with only 15% of Kiwis taking it out, despite 42% saying their income varied 'a bit' or 'a lot'.

Source

New Zealanders also tend to under-insure their homes. A 2016 Treasury report estimated 85% of houses were under-insured by an average of 28%, where the insurance policy would not pay out enough to rebuild a home fully.

Nepal: Insurance regulator tightens inspection work – Asia Insurance Review

The Insurance Board (IB) has moved to conduct regular onsite inspections of insurance companies, targeting to streamline the working processes of insurers more effectively.

Previously, the regulator only carried out an onsite inspection after receiving complaints. It scrutinized the insurers based on the financial reports that they are required to submit to the regulator on a quarterly basis, reports The Kathmandu Post.

IB officiating executive director Raju Raman Paudel said said, “We have targeted to cross check each insurer at least once a year through spot based observation.” There are a total of 38 insurance companies in operation in the country—20 non-life insurers and 18 life insurers.

Among these, two are state-owned while three are foreign companies. In the fiscal year 2017-18, the non-life insurers collected premiums totaling NPR22.13bn ($194m), a growth of 16%. Similarly, the premium collection by the life insurers amounted to NPR19.44bn, a growth of 52%.

The surge in the volume of insurance business has also highlighted the pressing need for the IB to carry out field inspections. The inspection teams will cross-check the inner workings of insurance companies within the framework of existing laws.

They will also review the time taken for claim settlements by insurers, the documentation process for claim settlements, timely allocation of surveyors and the insurers' reporting, underwriting and reinsurance provisions.

In a number of past cases, the IB had taken action against insurers for failing to observe the rules. Four months ago, the regulator halted United Insurance from offering fire insurance after the insurer was found illegally insuring promoters’ property and compensating more than the lost amount.

Earlier, the board took over management of Everest Insurance after the insurer was found to have been involved in a number of anomalies.

Apart from these, other issues include insurers distributing dividends among promoters and shareholders without obtaining the relevant approval, paying out claims without having proper documents, delay in claim settlement and surveyors’ false reports on insurance coverage are among the underlying problems in the domestic insurance business.

In addition, most of the insurers are reluctant to offer microinsurance cover despite the government making it mandatory for both life and non-life insurers to do so. According to the regulations, at least 5% of an insurer’s total business has to comprise microinsurance.

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China: Online non-life premiums race ahead by 37% in 1H – Asia Insurance Review

China's online property insurance premiums rose significantly in the first half of 2018, picking up pace from the January-March period, official data show.

Premium income from online property insurance sales increased by 37.29% year on year to CNY32.64bn ($4.8bn) in the first half of 2018, reports the Xinhua news agency citing data from the Insurance Association of China. The growth rate was 30.9% in the first quarter.

Online-only insurance companies took a larger share of the property insurance market, as 23.94% of the total income from premiums was earned by the country’s four online-only insurers, 7.07 percentage points higher than last year.

Sixteen foreign-funded insurers posted better performance, grabbing 5.26% of the market, up from 3.22% a year ago.

Auto insurance premiums, which accounted for more than half of the total, grew 15.38%, while premiums from non-auto insurance sales online surged by 79.35%.

Source

Accident and health insurance and return shipping insurance were also popular products.

Myanmar: Door to open soon to foreign insurers – Asia Insurance Review

The Insurance Business Regulatory Board (IBRB) will allow foreign insurance companies to conduct business in the country in the new fiscal year, which will commence on 1 October, U Zaw Naing, the board's secretary, has said.

"This is a roadmap for the development of the local insurance sector. The Union government has already given the nod for it. We will allow foreign insurance companies to sell life insurance and general insurance services in the country. It will start in FY2018-2019," he added.

He said that the IBRB would hire international consultants to help it screen and review foreign insurance providers before permitting them to compete in the market, according to a report in the Myanmar Times.

Daw Sandar Oo, managing director of Myanma Insurance, said the state-owned insurance provider "welcomes foreign insurance firms".

"The local insurance market needs investments and new technology in order to grow. If foreign firms are allowed to enter, local insurance providers can cooperate with them to help develop this area in Myanmar," she said.

At present, the contribution of insurance to the GDP is 0.07% only. The market is dominated by Myanma Insurance. There are 12 private local insurers operating in the domestic market.

Foreign insurance companies are currently not permitted to do business in the country. However, three have been allowed to operate in the Thilawa Special Economic Zone, while several others have opened representative offices in Myanmar.

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Australia: Direct life insurance market sees high cancellation rates and poor claims outcomes – Asia Insurance Review

Sales practices and product design are leading to poor consumer outcomes in the direct life insurance segment of the market, according to a review by Australian Securities and Investments Commission (ASIC), which is Australia's integrated corporate, markets, financial services and consumer credit regulator.

ASIC's review reveals that consumers are cancelling their policies in very high numbers:

- one in five of all policies taken out were cancelled in the cooling off period
- one in four of all policies that remained in force beyond the cooling off period were cancelled within 12 months
- three in five of all policies sold were cancelled within three years.
- life insurance sold direct compares poorly with other channels when it comes to claims: 15% of claims are declined, with 27% of claims withdrawn.

"Life insurance is a long term product but cancellation rates and poor claim outcomes show that people are being sold products they don't want, can't afford, or don't perform as they expected," said ASIC Chair James Shipton.

ASIC has released another report which is consumer research conducted as part of the review, which found that consumers struggle with the direct life insurance sales experience and the complexity of the products. Furthermore, consumer understanding of key features is often poor.

ASIC listened to more than 540 recorded sales calls and identified a failure by all firms to provide adequate information about important aspects of the cover, including key exclusions and future premium increases.

Four firms were also found to engage in pressure selling techniques, including refusing to send out paperwork unless a consumer committed to buy.

More than half the firms had incentive schemes which encourage sales staff to prioritise closing a sale ahead of the needs of the customer, including bonus payments heavily focused on value or volume of sales.

Mr Shipton said, "ASIC will use all of its regulatory tools to address failures in this market – including through enforcement action and policy reform. We have several investigations underway."

Restriction on outbound life insurance
ASIC also announced that it intends to restrict telemarketing sales of life and funeral insurance, in order to protect consumers, said Mr. Shipton.

Sales of accidental death insurance were particularly problematic, including where consumers were 'downgraded' to accidental death insurance after being rejected for comprehensive life insurance. Accidental death insurance only covers death due to some types accidents, and offers little value to consumers, with a claims ratio of only 16.1% over the 2015-17 financial years.

Unless firms can demonstrate that accidental death insurance can meet consumer needs, ASIC expects firms to stop selling this product.

ASIC's review covered 11 firms, including six insurers selling directly to consumers and three distributors selling on behalf of two insurers. They are Commissure, ClearView Life Assurance, Noble Oak Life, Suncorp Life & Superannuation, TAL Life, and OnePath Life (part of ANZ Banking Group), St Andrew's Life Insurance and its distributor Select AFSL, Hannover Life Re and its distributors Greenstone Financial Services and Auto & General Services.

The review included term life, trauma, total and permanent disablement (TPD), income protection, and accidental death insurance. While it did not specifically look at consumer credit insurance (CCI) or funeral insurance, the findings and recommendations are also applicable to the direct sale of these products.

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