Insurance Institute of India
C – 46, G Block, Bandra-Kurla Complex, Mumbai – 400051
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● Quote for the Week ●

"The world has a way, not only of stepping aside for men or women who know where they are going, but it often joins and helps them reach their objective. "

– Zig Ziglar

INSIDE THE ISSUE

Insurance Industry

Expect more innovation in insurance this year – Mint – 21st February, 2017

The year 2016 saw a growing Indian consumer base that recognizes the value of health insurance to help stave off medical inflation and cover health care expenses for oneself and the family members. This was evident through the 35% rise in gross written premium (GWP) between April and November 2016, as compared to a year ago. A growing GWP in health insurance premium is aiding the growth of this segment but India still has a long way to go to ensure health coverage for every citizen.

One of the key developments in 2016 was that the insurance regulator introduced regulations for issuance of electronic policies and submission of electronic proposal forms of insurance policies. From technology adoption to enhancement of customer experience and to product innovation with an emphasis on wellness services, health insurers have been working towards more comprehensive offerings. Standardization and simplification endeavours by the regulator, innovations by insurers and in the light of the recent changes in the economy, 2017 promises to bring in an upward thrust to the industry.

Expectations from the regulator

The launch of a universal health insurance scheme is expected to take place in 2017 and result in a major boost in the penetration levels. Insurers are eagerly awaiting the execution of such a scheme.
Cyber security, data management, and an e-repository to distribute e-policies in order to go paperless, are some concerns that the insurance regulator has raised in recent times. I expect to see more regulations from the Insurance Regulatory and Development Authority of India (Irdai), to secure stricter data confidentiality. At the same time, I also foresee a faster adoption of digital practices as a result of demonetization. The potential changes in income tax norms could augment consolidation and growth of the sector.

Insurance tech

Technology-led disruptive ideas are essential in changing the face of businesses and can make a huge difference to health insurance companies as well.

A shared economy will lead the future, where the integration of computer programs—to simulate conversations with human users, engagements with service providers for an ambulance and first-aid models—will be put to use by the sector. Such changes will provide consumers with more value and become avenues for future success.
Investing in high-end technology will not only enhance customer experience but also be an enabler to achieve scale.

There is going to be an array of smart technology-based (primarily mobile driven) and device-based solutions for distribution and service of products, aligned with the 'Digital India' movement. Health insurers are embracing new technologies, and the dynamics of the industry have already started to evolve with the development of mobile and web-based applications to engage with customers. Insurers are coming up with apps that not only empower customers to manage their policies by themselves but also help them stay fit. It is expected that the trend will continue this year as well.

Insurers have also moved ahead to create digital offices, where salespersons could sell health insurance policies over mobile networks and complete the processes within minutes and hours, instead of the numerous days that it used to take earlier. The internet is also being used heavily by insurers to reach out to the tech-savvy consumers seeking comparative information and completion of insurance purchase transactions online, without the need of intermediaries, like before.

One size does not fit all

Insurers are working towards developing more innovative products that cater to the primary and tertiary health care financing needs of people. More customized policies, disease-specific products, micro-insurance products and life-stage products are on the anvil for this year.

What defined 2016 was the emergence of wellness services as an integral part of the health insurance bouquet of products, as well as specialized policies for specific ailments that can provide focused coverage. As people get more health conscious, insurance companies will devise more innovative ways to engage with customers and help them achieve their fitness goals.

Cashless is the way to go

The government's demonetization drive is expected to yield increasing investments in insurance products in the coming year. People who have not bought health insurance so far, will be interested in investing in this to avail quality healthcare without going through the trouble of low liquidity in the market. I also expect to see an increase in the number of policyholders using cashless services rather than claiming reimbursement, due to the low liquidity of cash in the market.

This potential rise in cashless treatments would also aid insurers to work with health care providers to develop and offer sound and affordable pricing treatment protocols at quality healthcare sites.
With more people opening bank accounts to deposit their incomes, this could prove to be beneficial for the bancassurance channel, as banks would be better placed to offer combined insurance products for customers as a means to plan a safe financial future, as well as to save tax under section 80D of the income tax Act.

Source

Back

Insurance to see rapid growth, say experts at BS Round Table – Business Standard – 18th February, 2017

The insurance sector is growing at a rapid pace, particularly in the non-life segment. A recent focus on crop insurance would add to the momentum for three years at least, senior sector executives said at the Business Standard *Insurance Round Table on Friday.*

Consolidation is inevitable. But, neither were the big companies interested in growing inorganically nor were the smaller ones ready to offer themselves for sale, the panelists said. This was because growth was so healthy that consolidation could be a distraction from reaping what was available naturally.

The panel comprised G Srinivasan, chairman and managing director of New India Assurance; Arijit Basu, managing director and chief executive officer of SBI Life Insurance; R M Vishakha, managing director and chief executive officer of IndiaFirst Life Insurance; Bhargav Dasgupta, managing director and chief executive officer of ICICI Lombard General Insurance; and Sanjay Kedia, chief executive of Marsh India Insurance Brokers and also president of the Insurance Brokers Association of India. The sector is growing at 30 per cent annually. The crop insurance product has been an ace up the industry's sleeve.

The government wants crop insurance cover to improve from 22 per cent of farmers to 50 per cent in two years. This, said Srinivasan, would reduce "incidents like farmer suicides; farmer miseries would be eliminated to a great extent". "As a general insurer, we are immensely benefited as this year the industry is growing at more than 25 per cent and a large part of the growth is led by crop insurance. If this is going to move up to 40-50 per cent, I see the industry's growth at 30 per cent-plus in the next three years."

The premium collected has crossed Rs 1 lakh crore and the thrust on crop insurance would mean the premium collected could touch Rs 1.80 lakh crore in the next few years. "Crop insurance was part of our miscellaneous segment. Today, crop insurance is the largest, after motor and health," said ICICI Lombard's Dasgupta.

Life insurance, too, has seen a boost, growing 12 per cent in 2015-16. This financial year has been "particularly good," said Basu, head of the largest private life insurer in the country, SBI Life. Demonetisation had had no impact on SBI Life, he said. December is usually a good month for life insurance companies. The prospects looked brighter in the medium term as a lot of savings has come into banks and customers are looking for opportunities. "The outlook is good mainly because we are able to to newer segments," Basu said.

Vishakha of IndiaFirst said demonetisation seemed to have had a positive effect across sectors. "We don't have statistics to prove it, but I think demonetisation is doing a lot of good. I believe moving all savings into a formal channel (is) leading to an increase in demand. Otherwise, you don't see this sudden surge of demand in all industries. We have not seen any other external factors, so you really don't have any other option but to bring it down to demonetisation. It could be a base effect, because there was de-growth last year, but it's also moving from informal to formal channels."

Kedia of Marsh India was cautious. "Overall numbers have been good, but are we growing in all the segments? Some of the segments could have been better," he said, pointing to the stagnant growth rate in home insurance and corporate premium. But "the overall growth should be celebrated". The executives also defended the notion that the sector had not moved effectively to a digital platform.

The nature of insurance is such that customers would want advice from someone before buying a product. Digital is not a given even in mature markets as a lot of verification has to be done before selling an insurance product, they said.

Vishakha suggested using social media websites to collect information about a customer. But those practices were yet to be accepted fully, she said.

"We can't expect insurance policies to be bought like train tickets," Srinivasan countered. "Experience all over the world is that the customer would like to do lot of research online but when they want to actually buy, they would like to touch and feel the insurance product."

Kedia objected to the regulation that for reinsurance, product preference should be given to General Insurance Company-RE and then to a few multinationals. "That obviously is highly monopolistic and restrictive as an approach. The industry is hoping that the regulation is not implemented," he said. However, the rest of the panelists suggested that the regulator won't do anything that would harm the consumers. "We have realised that the intention of the regulation is 'do not ignore the Indian market'. None of us has problems with that," said Srinivasan, adding 93 per cent of the premium stayed within the country and the regulator probably wanted to protect that.

The industry is getting crowded, said panelists. As many as 15 companies have less than two per cent market share. Consolidation is inevitable. "There could be some large national players and then niche specialists and even geography specialists. But you will see some consolidation," said Bhargav.

Source

Basu of SBI Life ruled out any consolidation for two years.

Srinivasan said the insurance regulator should temporarily freeze entry to the space as it was getting crowded.

Back

Irdai to form actuary panels for life, general insurers – Deccan Chronicle – 20th February, 2017

General and life insurance companies will be able to engage actuaries as the regulator Irdai will soon form panel of such analysts. The Insurance Regulatory and Development Authority of India (Irdai) has invited bids from actuaries and firms employing such analysts to form a 'Panel of Actuaries'.

Separate panels will be formed for life and general insurance (including health insurance). The tenure of each panel will be for a period of three years from 1 April 2017 to 31 March 2020, said the bid document.

The panel would be required to give an opinion on products filed by an insurer. Further, the regulator may ask any actuary panel to investigate financial position of any insurer or to give an opinion on valuation.

"If the insurers are not able to appoint Appointed Actuary...they can use services of any actuary from the panel of actuaries for estimation of reserves, solvency margins and preparation of reports... as well as vetting of products to be filed by the insurer," Irdai said.

Appointed Actuaries (AAs) are entrusted with the responsibility of maintaining solvency position of the company. There are other jobs such as new product approval, which need inputs and certification from Appointed Actuaries.

Source

The panel will be engaged in estimation of reserves and solvency margin at the end of financial year as well as preparation of reports which are normally required under the current regulations and guidelines in respect of one or more insurance companies.

Back

Life Insurance

e-insurance could prove beneficial, if LIC takes the lead – The Times of India – 17th February, 2017

DEMAT-insurance is yet to take off in India. Of a 1.25 billion population in India, only 9.875 crore have insurance. And of this, only 9 lakh (0.9%) have opened e-insurance accounts, said industry players, clearing showing that e-insurance account initiative despite being three-years-old has not taken off like other government schemes such as digilockers, UIDAI.

How do e-insurance accounts help? In events like floods or tsunami, where people lose all their belongings, including vital documentation to prove their identity -- a digital locker helps in them proving their identity and getting their claims settled.

Demat insurance has not found too many takers, with many saying that they have seen only a few hundred customers sign up. Data repositories said that the biggest roadblock to the initiative taking off is the non-participation of LIC. "While the regulator IRDAI has been promoting e-insurance, it has not made creation of these accounts mandatory. As of now, they have defined an e-policy as a policy that can be documented in electronic format or downloaded from the insurer's website. Unless they make it mandatory, insurers are going to look at cutting costs," said Cyrus Khambata, CEO, Central Depository Services Limited (CDSL).

Another hurdle is that the general insurance industry is yet to catch up. While 24 of the life insurance companies in India have signed on, only 8 general insurance players have put the IT systems in place for e-insurance accounts.

At Liberty Videocon General Insurance Company, its CEO Roopam Asthana said that of 6-7 lakh customers with the company only a few thousands have signed up. At ICICI Lombard, which has 15-16 million customers and got on board the platform in December, customers have not shown much interest in e-accounts.

"When it came to the stock markets, when DEMAT was introduced it took off really well. With e-insurance, despite being a great initiative, not many people are really seeing the need for it. I think they are influenced by the fact that while you might have many stocks in your portfolio, you might at the maximum take 6-7 insurance policies," said Liberty Videocon's Asthana.

"I think there needs to be more awareness as to the benefits of having an e-insurance account. It offers great convenience. You could be driving and you could pullover to show a cop your vehicle insurance from your mobile. E-insurance accounts, submission of data to the Central KYC Registry -- are initiatives that would have real impact on the ground," said Asthana.

ICICI Lombard's chief underwriting and claims Sanjay Datta said, "We are trying to create more awareness via social media, mails. But ultimately for the scheme to take off, it depends on the customer. It is the customer's choice, which data repository they want to work with and whether they want an e-account. Many of our customers still prefer downloading an e-policy off the website."

Source

Data repositories said that some life insurers are of the mindset that this is an unnecessary cost. "They think they are saving money. They only compare the cost of issuing and dispatching a physical copy to the Rs 25-Rs 30 we are charging. But the cost of issuing a physical copy also includes the cost of forms filled up, data entry, KYC document upload. Insurers must keep in mind that they are here to serve customer interests," said Khambata.

Back

Fraudulent insurance claims can still be rejected after 3 years – edaily – AIR – 22nd February, 2017

Life insurers have reached an understanding with the insurance regulator IRDAI that fraudulent claims can still be rejected after a three-year duration.

Insurers have been opposing a provision in the revised insurance law that was passed in 2015 that said that no claim could be rejected for any reason after three years by an insurer.

This means that an insurer has a three-year window to reject claims on the grounds of any misstatement or improper disclosure or to uncover fraud. While the law does not stipulate that fraudulent claims can be rejected, insurance companies through their legal teams have made this interpretation, reported moneycontrol.com.

Now, following several rounds of discussion with IRDAI, life insurers have come to an understanding that fraudulent claims will not be cleared despite the letter of the law.

Ms Vishakha RM, MD & CEO of IndiaFirst Life Insurance, said that the aim of the amended law is that no genuine claims are rejected for frivolous reasons by insurers.

The original Insurance Act of 1938 had said that no policy can be questioned for misstatement of facts after two years of being in force. However, it had added a caveat that said that if a policy was taken with fraudulent intentions, claims arising from that policy would not be passed.

Though IRDAI has not explicitly stated that fraud is excluded from the purview of the Act, insurers said that it has been internally understood that claims which have been clearly investigated and found to be fraudulent will not be paid.

Organised gangs operate to commit insurance fraud. While no industry-wide data is available, private insurers have reported that parts of Andhra Pradesh, West Bengal, Uttar Pradesh and Bihar have seen an uptick in these fraudulent activities. Here, an individual buys a policy in the name of a dead person using fake documents. They also have doctors colluding with them to issue fake death certificates which are used to claim money from insurance companies. In certain cases, natural death is also passed off as a road accident to get the claim amount. There have also been cases where the investigating officers were attacked or kidnapped to prevent them from issuing an adverse report.

Source

Due to this, insurance companies are carrying out thorough verification before issuing any policy in the INR500,000 (US$7,465) to INR2-million bracket where the most number of frauds are detected.

Back

General Insurance

India's General insurance industry grows to Rs 1.03 lakh crore – The Economic Times – 17th February, 2017

General insurance industry crossed Rs 1 lakh crore premium income at the end of January 2017, registering a growth of 32 per cent aided by growth in crop and property insurance.

According to the data from the insurance regulator, during the first 10 months of the financial year, the industry earned premium income of Rs 1.04 lakh crore, a growth of 32 per cent from Rs 78,709 crore in April-January of the previous year.

Standalone health insurance companies saw income of Rs 4,276 crore during the first 10 months.

Source

State-run public sector insurance companies had a market share of 46.99 per cent where private sector companies were at 42.03 per cent. HDFC Ergo General Insurance has become the third largest insurer with around 4.9 per cent after acquiring L&T General insurance.

Back

State-run insurers seek to increase PMSBY premium – The Financial Express – 23rd February, 2017

A rising loss ratio in the government's pro-poor scheme such as the Pradhan Mantri Suraksha Bima Yojana (PMSBY) has forced general insurers to urge the government to hike the premium for the schemes. Currently premium charged is just Rs 12 per year and insurers have asked a hike of one-two rupee per year, said senior officials in the insurance industry.

According to senior officials in the insurance industry, loss ratio in PMSBY has touched around 250%. Under the scheme, risk coverage available will be R2 lakh for accidental death and permanent total disability and R1 lakh for permanent partial disability, for a one-year period between June 1 and May 31. PMSBY, launched by the government in 2015, is available to people in the age group of 18 to 70 years.

G Srinivasan, chairman and managing director of The New India Assurance, said: "Though exact numbers are still not available, but we believe that loss ratio in PMSBY is around 250%. We have verbally told government to revise the price when new policies will be launched from June this year." However, the final decision will be taken by the government whether premium rates will be increased this year or next year, said the industry participants.

Currently, around 12 non-life insurance are selling the policies of PMSBY, with four state-owned general insurers having market share of nearly 75%. According to the data from Jansuraksha website, as on 20 February, 2017 around 9.9 crore people have been enrolled and insurers have received claims from 11,734. The data also shows that, general insurers have disbursed claims of 8,659 persons as on February 20.

Sanath Kumar, chairman and managing director of National Insurance Company, added that being the market leader in the segment they have also demanding revision in premium pricing in PMSBY due to the rising loss ratio. Out of 9.9 crore persons insured in PMBSY, around 3.7 crore persons are covered by National Insurance.

Source

Along with PMSBY, the government had also launched Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), which offers a renewable one year life cover of R2lakh to all savings bank account holders in the age group of 18-50 years, covering death due to any reason, for a premium of R330 per annum per subscriber. Officials also say general insurers are also likely to ask the government to consider this scheme for longer duration similar to long-term two-wheeler policy.

Back

Government to form scrutiny team for fake accident claims – The Times of India – 22nd February, 2017

The state government has decided to constitute a Special Scrutiny Team to probe into the false and fake motor accident claims, the government told Gujarat high court on Tuesday.

This happened after Justice JB Pardiwala asked the government to act positively to create a mechanism to curb false claims. Public prosecutor Mitesh Amin informed the HC that the government has taken a policy decision in this regard, and it is working on the modalities, on how the team would function to investigate into false claims. The government is likely to submit more details in this regard by March 2.

This happened on a petition filed by ICICI Lombard Insurance Company, which cited a Supreme Court order passed last month. The apex court has issued notices to all state governments, Union Territories, all high courts etc. over the issue of fake accident claims made in Motor Vehicle Act. The SC has termed the situation of making fake claims and indulgence of advocates and other stake holders in the big fraud as "very alarming".

Source

The SC had appreciated an initiative taken by the Allahabad high court by forming an SIT to investigate such fake claims. This all happened after the UP's Workman Compensation Commissioner filed a complaint before the Bar Council of that state against the advocates for indulging in the fraud.

Back

There's a New Cartel in Town: Insurance Firms – The Economic Times – 22nd February, 2017

General insurance cos are working together to create uniform terms for seven industries

General insurers are coordinating product design and premiums by sharing data on occupancies where claims are high in what experts call the first signs of cartelisation of the industry which could have a big impact on customers and it is likely that the Competition Commission of India (CCI) intervenes.

The uniform wordings on policy documents for industries such as steel and power and identical premium rate and deductible may invite the attention of the monopoly watchdog. The CCI had come down heavily on the tyre and cement industries for their cartel model which fleeced customers.

The general insurance sector has come together to follow uniform premium rate and deductible for seven industries and add another five in the next financial year. Insurers have decided minimum premium rates that will be charged in case of seven industries including paper, cement, tyre, ITsoftware and aluminium, zinc and copper. The industry has also decided that expiring lead insurer would notify other insurers about claim experience of previous years.

"The industry has decided to not charge rates that are unsustainable," said A Hoda, officiating chairman, United India. "Nobody is going to charge below a certain percentage because competition is leading to death of the industry."

Net incurred claims ratio has been on rise for several years. The net incurred claim ratio was 94% for 201112 and 2012-13, 97% in 2013 14,101% in 2014-15 and 102% in 2015-16, according to Irda's annual report. Among the various classes of health insurance business, the ratio is particularly high for group business, which was more than 100% for each of the preceding five years, consistently increasing over the same period.

"Insurance companies are sharing data on occupancies where claims are high", said G Chandrasekharan, secretary general, General Insurance Council. "It takes place in any market in deteriorating claims environment." In 2012, the government had asked four state-run insurance companies to share data on premium and claims with respect to major accounts to ensure there was no competition amongst them.

Public sector general insurers have had more than 100% claim ratio for all the past five years.

Source

This has gone up in the past two years.

"The industry has come together to jack up prices and kill free pricing," said head of an insurance bro king firm.

"This is violation of free market."

Back

Oriental Insurance, National Insurance and United India Insurance likely to be merged to fetch better valuations – The Economic Times – 23rd February, 2017

India's state-owned general insurance giants Oriental Insurance, National Insurance, and United India Insurance, who together have 34 per cent of the total market share and underwriting total direct premium of over Rs. 33,000 crore, are likely to be merged to create a stronger entity to fetch better valuations at the time of listing.

In January the government formally approved to list five state run general insurers while announcing its intent to pare its stake in these firms to 75 per cent in one or more tranches.

"It is in a preliminary stage. We are looking at various options," a senior finance ministry official said.

The listing plans of GIC Re, the state-owned reinsurer and New India Assurance is already in the works, the official said.

"Consolidation in state-run companies is being explored across all sectors. In insurance, it is necessary that we have presence of staterun entities as they serve the larger purpose of financial inclusion and also to ensure there is there is enough competition," he said.

Finance minister Arun Jaitley in his budget speech said one of the themes under the broad agenda in financial sector is 'growth and stability through stronger institutions.'

"In that spirit, we are looking at various options," the above quoted finance ministry official added.

According to insurance regulator Insurance Regulatory and Development Authority of India (IRDAI) annual report 2015-16, market share of Oriental declined to 8.63 per cent in 2015-16 from 8.75 per cent in the previous year and National Insurance fell to 12.43 per cent from 13.27 per cent in 2014-15.

These three firms have also been struggling with their solvency ratio, a measure of excess of capital and assets over the insured liabilities. Thus, the government may not be able to unlock their full potential if individually listed.

"We have to look at all aspects, including HR issues. These decisions take time," the above quoted official added. Oriental Insurance Company has a solvency margin of 1.1% and National Insurance Company is at 1.26 per cent against the regulatory requirement of 1.5 per cent. United India stands at 1.56 per cent but had notched up net losses of Rs.429 crore in the first half of the current fiscal.

Source

"By these methods, central public sector enterprises (CPSEs) can be integrated across the value chain of an industry. It will give them capacity to bear higher risks, avail economies of scale, take higher investment decisions and create more value for the stakeholders," Jaitley said in his budget speech.

Back

Health Insurance

Insurers to bat for cutting cost of stent ops – The Times of India – 21st February, 2017

Insurance companies are preparing to engage with hospitals on bringing down the cost of heart surgeries involving stents.

Insurers said that although formal communication has not taken place, hospitals have indicated that package costs for coronary surgeries will not come down to reflect lower stent costs as cost of procedures are likely to increase soon.

This comes even as several hospitals are planning to increase the angioplasty procedure packages. Certain others are in a wait-and-watch mode to work out the increase in procedure costs soon, with the NPPA notification clarifying that they cannot charge any margins.

"Although there has been no official communication, we are hearing that hospitals are increasing the cost of surgeries as there is no price control on what they charge for procedures," said Shreeraj Deshpande, head of health insurance at Future Generali Insurance.

Drug prices regulator NPPA on Monday said that hospitals could not charge additional margins as these had already been built into the calculation of ceiling price, first reported in TOI on February 19.

According to Sanjay Datta, chief of underwriting and claims at ICICI Lombard General Insurance, insurers will insist on the lower cost of stents being passed on to consumers. He added that the government had sought data from insurers on how much companies are paying for procedures and hospitals cannot push up other costs.

NPPA said in a clarification that there is no separate retail channel for coronary stents as they are supplied directly by companies to hospitals. "The notified prices are inclusive of maximum 8% trade margin (over and above margins of manufacturers and importers) which can be deployed by the companies as per their business model".

Margins are at the centre of the controversy in stents, which are marked up nearly 900% from their landed cost; a bulk of this inflated fee pocketed by hospitals and distributors, increasing the price for the patient.

According to Deshpande, even before the price control there had been cases of inflating the cost and some hospitals refused to share the packaging at the time of the claim. Usually, insurance companies ask for the original packaging of the stent so that the genuineness of the product and the pricing can be ascertained by scanning the code.

Stent companies will be meeting NPPA and ministry officials to understand the billing structure.

"The discussion is on practical billing arrangement and tax liability, and role of hospital pharmacy if any. Also, there is no clarity as to who exactly will bear the inventory cost", an industry expert added.

NPPA further said that "no additional charge over and above the ceiling price notified earlier in price notification shall be charged from the consumer except local sales tax and VAT, if paid in actual".

Source

According to a senior insurance official, even before the price control, there had been cases of inflating the cost and some hospitals refused to share the packaging at the time of the claim. Usually, insurance firms ask for the original packaging of the stent so that the genuineness of the product and the pricing can be ascertained by scanning the code.

Back

Pensions

Finance Ministry questions Labour Ministry over 8.65 per cent EPF interest rate – The Financial Express – 17th February, 2017

The Finance Ministry has given a big blow by questioning the sustainability of the 8.65 percent interest rate for 2016-17 for the subscribers under the Employees' Provident Fund Organisation (EPFO). The Ministry of Labour and Employment had shown a green flag to this rate but the Finance Ministry has sought clarifications, with the concerns over EPFO's ability to pay this level of interest rate and the payouts to be made in case of inoperative accounts.

Out of the 17 crore subscribers of EPFO in India, only 4 crores are contributing members. Its been a general practice that the decision of the Central Board of Trustees (CBT), the governing body chaired by the Labour Minister that manages the fund has to be approved by the Finance Ministry before implementation.

"If it (EPFO) earns more, it can pay more. But our main concern is whether 8.65 per cent interest rate is tenable or not. We just want to be sure about their ability to pay this level of interest rate, failing which the Centre won't be able to provide funds," a senior Finance Ministry official told The Indian Express.

An official from the Finance Ministry confirmed the news and said that details on number of inoperative accounts have been sought from the Labour Ministry. We have sought details of the total number of accounts with segregation of active and inoperative accounts. We want to ensure that contributing members do not suffer at the cost of inoperative accounts," he said. The official also confirmed that the Labour Ministry is yet to respond to the queries.

Source

The 8.65 percent interest rate suggested by CBT of EPFO in its 215th meeting in December, is the lowest in last four years. Last year a rate of 8.8 percent was proposed which would have led to a deficit of Rs 383.82 crore in 2016-17. However, the Finance Ministry approved a lower rate of 8.7 percent while this year's 8.65 percent rate will lead to projected surplus Rs 295.91 crore.

Back

EPFO extends deadline – The Hindu – 18th February, 2017

The Employees' Provident Fund Organisation has extended the deadline for submitting Aadhaar number till March 31 for its over four crore members. The EPFO had set February 28 as the earlier deadline. It had earlier made Aadhaar number submission mandatory.

Source

The EPFO has also dispensed with the system of accepting life certificates manually through banks. This will now be done digitally either through mobile phones or at common service centres or at banks.

Back

EPFO makes withdrawals easy, chucks employer attestation – Financial Chronicle – 22nd February, 2017

EPFO subscribers can now withdraw money from their PF account using one common form and they will not be required to file documents like marriage invitation cards for taking advances.

Besides, the Employees' Provident Fund Organisation (EPFO) has also done away with the practice of filing utlisation certificates for advances taken from their PF accounts and can submit self-utlisation certificate.

"To add further convenience, these forms (different form for various advances and withdrwals) now have been further simplified and replaced with a single page composite claim form (Aadhar). This new composite claim form (Aadhar), can be submitted without the attestation of employers," EPFO said in statement.

According to the statement, subscribers who have seeded Aadhaar and bank account details, to their universal account number (UAN) have the facility to submit claim forms directly to the EPFO without attestation of the employers by preferring claims in forms no. 19 (UAN), 10C (UAN) & 31(UAN).

It said that for subscribers, who are yet to seed Aadhaar and bank details with their UAN, the new composite claim form (Non-Aadhar) replaces the existing forms no. 19, 10C & 31. The new single page composite claim form (Non-Aadhar), can be submitted with the attestation of employers.

Source

The "New Declaration Form" required to be appended with Form No 31 for housing loan/purchase of site/ alteration etc is discontinued. The need for "Utilisation Certificate" has also been dispensed with. No document would be required to be submitted by the subscriber for these partial withdrawals. For grant of advances in case of closure of factories, no document is required.

Back

PFRDA to soon announce names of nine pension fund managers – The Financial Express – 23rd February, 2017

Pension fund regulator PFRDA will announce in the next 10 days the names of nine pension fund managers (PFMs) shortlisted by it under the new variable commission structure, a top official said on Wednesday. Moreover, the Pension Fund Regulatory Development Authority (PFRDA) is hopeful that Atal Pension Yojana (APY) will continue to grow by 35-40 per cent. There are more than 44 lakh subscribers registered in the scheme as of now.

"We have shortlisted nine PFMs under the new variable commission structure, which include seven existing PFMs. I, however, can't tell you the names of companies until they are cleared by our board," PFRDA Chairman Hemant Contractor told PTI here on the sidelines of an event here.

"Still, I hope the names of nine PFMs would be announced within a week or 10 days from now," he said.

Source

PFRDA has allowed the PFMs to decide fund management charges of their own. However, it has put a cap of up to .1 per cent of the value of fund as commission to be charged by the PFMs from the existing commission of .01 per cent.

Replying to a query on the status of PFRDA's proposal to the Centre to act as a sole regulator for all kinds of pension funds, Contractor said, "The Government has set up a committee to take a view on the issue."

Back

Circulars

Source

Panel of Actuaries – Expression of interest - Ref: IRDA/ACT/MISC/MISC/039/02/2017 dated 16.02.2017

Back

Global

Australia: APRA provides foresight and guidance on climate risk – AIR – E-daily – 20th February, 2017

The financial regulator APRA would be "on the front foot on climate risks, so as to make the challenges on the horizon a little clearer" for financial entities, Mr Geoff Summerhayes, APRA Executive Board Member, has said.

Climate risk has become foreseeable and actionable now, involving physical and transition risks, and likely to have material, financial implications that should be carefully considered, he said. He added that dealing with climate risk is a shared responsibility for regulators, entities, governments, and the entire financial ecosystem.

Commenting on physical risks, he said that these stem from the direct impact of climate change on the physical environment – through, for example, resource availability, supply chain disruptions or damage to assets from severe weather.

Transition risks stem from the much wider set of changes in policy, law, markets, technology and prices that are part of the now agreed transition to a low-carbon economy.

Potential issues include the potential exposure of bank's and insurers' balance sheets to real estate impacted by climate change and to re-pricing (or even 'stranding') of carbon-intensive assets in other parts of their loan books. They also include exposure of asset owners and managers – an important consideration given the size of Australia's superannuation sector and its heavy weighting towards carbon-intensive equities and a relatively resource-intensive domestic economy, he said.

The transition now in train could potentially lead to significant repricing of carbon-intensive resources and activities and reallocation of capital. This process will be highly sensitive to changes in regulation, technology, the physical environment and behaviour by investors and institutions – and interrelated perceptions and sentiment about all of the above.

From a regulatory perspective, one key to getting a better handle on potential system-wide exposures is better information on risk and strategy at the firm level, said Mr Summerhayes.

"In simple terms, a comprehensive understanding that will help to identify and avert potential vulnerabilities is not possible unless entities and regulators are systematically monitoring, disclosing and talking about these risks," he said.

Transition risk

He added that while physical risks are obviously a very serious matter, it is transition risks that are likely to be especially important for financial entities. In this, one development is the Paris Climate Agreement, which entered into force globally last November. The global pact provides a very reliable signal that policy and regulatory efforts will intensify to achieve emissions reductions commitments.

Another development which is vital to the adjustments that companies, markets and economies will need to make is that the Financial Stability Board's "Taskforce on Climate-related Financial Disclosures" released a report last December recommending a voluntary, practical, global framework for improving a wide spectrum of climate-related disclosures, so as to help investment, credit and underwriting decisions.

A third development is timely analysis of how Australian corporate law applies to climate and sustainability risks. Last November, the Centre for Policy Development and the Future Business Council released an influential legal opinion on company directors' legal obligations to consider the impacts of climate change. The opinion found that company directors who fail to properly consider and disclose foreseeable climate-related risks to their business could be held personally liable for breaching their statutory duty of due care and diligence under the Corporations Act.

Source

Mr Summerhayes stressed the importance of considering, and modelling, the potential impact of climate-related risks under different scenarios and over different time horizons. He said: "The most important scenario, in my opinion, is the sub-2 degree Celsius transition scenario that the Paris Agreement is anchored around, since that will guide much of government policy around the world."

Back

Australia: Consumer body launches tool for health insurance check – AIR – E-daily – 17th February, 2017

Consumers Health Forum (CHF), which represents health consumers, has launched its "Healthy Cover" checklist and survey to promote a better health insurance outcome for people, following the government's announcement last week of an average 4.84% hike in private health insurance premiums that will take effect on 1 April.

"The latest rise in health insurance premiums makes it more important than ever that people check they are paying for the right cover", the CHF said in a statement.

"Now that a typical family policy can cost more than A$4,000 (US$3,080) a year, we owe it to ourselves to ensure we have the cost-effective policy that best suits our needs," said CHF CEO, Ms Leanne Wells.

"The best time to assess your insurance choice is in the next few weeks as health funds release details of their new premiums and policies before the changes take effect on 1 April", she said.

"While reviewing health insurance can seem tiresome, the effort is worthwhile and may well mean savings and certainty that you have the right cover," she added.

Source

The CHF says that it also has been urging the government for more than a year to reform health insurance so that policies are simplified, made more certain and easier to compare between different funds. There are currently an estimated 58,000 different health insurance policies on the Australian market.

Back

UAE: All Dubai residents must have health insurance by 31 March - AIR – MEIR - 21st February, 2017

The Dubai government has named a final deadline for mandatory health insurance and said that failure to adhere to this will result in fines, an official statement issued on Sunday said.

All sponsors will have to pay a fine if they fail to obtain the insurance by 31 March 2017 while visitors to the emirate need to have health insurance by 31 December 2017, as per a new resolution issued by the Dubai Executive Council.

The deadline for mandatory health insurance for employees and their dependents was first set as 30 June 2016 and subsequently postponed to 31 December 2016. The government granted a further extension after that and stipulated the new deadline last Sunday.

The resolution, however, gives authority to Mr Humaid Al Qutami, Director General of Dubai Health Authority (DHA), to extend this deadline if required.

So far, around 98% Dubai residents, including family members and domestic helpers, have already acquired compulsory health insurance.

The resolution states that the Government of Dubai is responsible for providing health insurance coverage for UAE nationals from 1 June 2015 and employers are responsible for providing health insurance coverage for expatriate employees from 1 January 2014.

Cover extended to other emirates

Meanwhile, the DHA has directed insurance companies to ensure that they cover Sharjah and Northern Emirates, reported Khaleej Times.

This order came into effect after the authority received feedback from policyholders who work in Dubai but live in other emirates that they could not make use of the health insurance plan outside Dubai. Abu Dhabi is excluded because the capital emirate has its own compulsory insurance scheme.

Previously, such cover outside Dubai was optional and therefore some companies did not offer insurance cover outside the emirate, said a senior official from DHA.

Dr Haider Al Yousuf, Director of Health Funding said that the move is a positive one for the health insurance industry, the health sector and for policyholders.

"Many Dubai residence visa-holders live in Sharjah and Northern Emirates. This mandate ensures they have coverage in the emirate they live in so that they can access healthcare when they need it at a location that is convenient to them," he said.

Source

Dr Al Yousuf added that it would be more cost-effective for insurance companies to provide coverage in the northern emirates.

Back