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Mahatma Gandhi

INSIDE THE ISSUE

Insurance Industry

Centre goes ahead, tables Insurance Bill in Lok Sabha - The Hindu Business Line – 4th March 2015

The Narendra Modi-led Government has introduced the Insurance Bill in the Lok Sabha, though a similar Bill is pending in the Rajya Sabha since 2008. The Insurance Bill, among various things, intends to raise the foreign equity investment cap to 49 per cent from 26 per cent. The Bill, once enacted, will replace the Insurance Ordinance, which was promulgated on December 24.

The Centre adopted the ordinance route, as it could not manage to get the pending Bill (in the Rajya Sabha) passed. Justifying the introduction of the Bill in the Lok Sabha, Minister of State for Finance, Jayant Sinha, said that the Government was well within its right to introduce the Bill which seeks to replace an ordinance.

"It is the Constitutional responsibility of the Government to ensure that the Bill is passed within six weeks of the Ordinance," he said. An ordinance works like a law, but needs to be replaced by legislation in the immediate next session.

However, Opposition members contended that the House has no legislative competence as a similar Bill is pending in the Rajya Sabha. An attempt to withdraw it from the Rajya Sabha last week was scuttled by the Opposition. A Bill introduced in the Rajya Sabha never lapses. The Government will have no problem in getting the Bill passed in the Lok Sabha where it has a majority. However, in the Rajya Sabha it is in minority. If the House rejects the Bill or keeps it pending for six months, then the Government could press for a joint session.

Source

Back

Opposition erupts over insurance bill in Lok Sabha - Hindustan Times – 4th March 2015

The government on Tuesday introduced a bill providing for raising foreign direct investment (FDI) limit in insurance sector to 49%, amid strong protest from Opposition MPs who questioned government's legislative competence to bring it in the Lok Sabha while a similar bill was pending in the Rajya Sabha.

Introduced in the Lok Sabha, The Insurance Laws (Amendment) bill, 2015, sought to replace an ordinance issued by the government earlier, which allowed increasing the FDI cap in insurance sector from 26 to 49%. The Rajya Sabha could not take up for consideration a similar bill in the last session following disruption over controversial remarks made by ministers and ruling MPs.

While parliamentary affairs minister M Venkaiah Naidu defended the introduction of the bill, Opposition MPs alleged that the government was setting a new precedence.

P Karunakaran and MB Rajesh (CPM), Saugata Roy (TMC) and NK Prem Chandran (RSP) cited rules of procedure and conduct of business in Lok Sabha to argue that the bills of the same nature cannot be moved in one House of Parliament when it was pending before another House.

Naidu cited another rule saying the government was well within its rights to introduce the bill with prior permission of the Speaker. The issue was finally settled through a division of vote, which the government won. The issue also figured in the Rajya Sabha.

Source

Insurers may look to increase foreign promoters' stake - The Hindu Business Line – 3rd March 2015

Insurance companies may soon look at increasing foreign promoters' stake or diluting the domestic promoter's stake. Despite the promulgation of the insurance Ordinance in December, which raised the foreign investment limit in the insurance sector to 49 per cent from 26 per cent, insurers have not raised stake as they were awaiting rules from the government on the ways in which foreign promoters can raise stake in domestic insurance companies.

According to the rules released by the DIPP on Monday, insurers can raise stake up to 26 per cent through the automatic route but will require approval from the Foreign Investment and Promotion Board to raise foreign promoter's stake beyond it.

A senior official from the Insurance Regulatory and Development Authority of India said that several insurers have already started discussions on raising the foreign promoter's stake and may act on it now with clarity on the rules released by the government. However, Sanket Kawatkar, Principal, Life Insurance Practice Leader at Milliman India, a global actuarial firm, said that the process may take some time as the promoters will have to agree on the valuation.

Fair market basis

He said even though domestic promoters may have contracts or agreements with their foreign partners, valuation will be done on 'fair market value' basis which the FIPB will also look at before granting approval. Kawatkar said some insurers may also get a foreign institutional investor on board instead of raising the promoter's stake.

According to a recent report, Standard Life, the UK-based insurer which runs a joint venture with HDFC in India — HDFC Life — said that while it was interested in raising stake from the current 26 per cent, it was 'probably unlikely' that the firm may raise stake to 49 per cent. ICICI Bank-promoted ICICI Prudential, the largest private sector life insurer, has also said that the company is exploring avenues of monetising its insurance holdings.

Source

Back

Govt announces details of new insurance, pension schemes - The Hindu Business Line – 3rd March 2015

The Finance Ministry has announced detailed guidelines for three social security schemes announced in the Budget. Though anyone can enrol in these schemes, it mainly aims to cover workers of unorganised sectors besides the poor and vulnerable sections of the society.

Pradhan Mantri Suraksha Bima Yojana

This scheme is mainly for accidental death insurance cover for up to Rs. 2 lakh. Here are the key details:

- **Eligibility:** Available to people in age group 18 to 70 years with bank account.
- **Premium:** Rs. 12 per annum.
- **Payment Mode:** The premium will be directly auto-debited by the bank from the subscribers account. This is the only mode available.
- **Risk Coverage:** For accidental death and full disability - Rs. 2 lakh and for partial disability – Rs. 1 lakh.
- **Joining the scheme:** Any person having a bank account and Aadhaar number linked to the bank account can give a simple form to the bank every year before June 1 in order to join the scheme. Name of nominee to be given in the form.
- **Terms of Risk Coverage:** A person has to opt for the scheme every year. He can also prefer to give a long-term option of continuing in which case his account will be auto-debited every year by the bank.
- **Who will implement this scheme?:** The scheme will be offered by all public sector general insurance companies and all other insurers who are willing to join the scheme and tie-up with banks for this purpose.

Pradhan Mantri Jeevan Jyoti Bima Yojana

This scheme aims to provide life insurance cover.

- **Eligibility:** Available to people in the age group of 18 to 50 and having a bank account. People who join the scheme before completing 50 years can, however, continue to have the risk of life cover up to the age of 55 years subject to payment of premium.
- **Premium: Rs.** 330 per annum. It will be auto-debited in one instalment.
- **Payment Mode:** The payment of premium will be directly auto-debited by the bank from the subscribers account.
- **Risk Coverage:** Rs. 2 lakh in case of death for any reason.
- **Terms of Risk Coverage:** A person has to opt for the scheme every year. He can also prefer to give a long-term option of continuing, in which case his account will be auto-debited every year by the bank.
- **Who will implement this Scheme?:** The scheme will be offered by Life Insurance Corporation and all other life insurers who are willing to join the scheme and tie-up with banks for this purpose.

Atal Pension Yojana

Ministry said that 'Swavalamban' Scheme launched in 2010-11 does talk about pension coverage but it considers this as inadequate mainly due to lack of clarity of pension benefits at the age after 60. It hopes that Atal Pension Yojana will remove these difficulties. The new scheme will focus on individuals in the unorganised sector, who join the National Pension System (NPS) and who are not members of any statutory social security scheme. The scheme would be launched on June 1.

Under the scheme, the subscribers would receive the fixed pension of Rs. 1,000, 2,000, 3,000, 4,000 or 5,000 at the age of 60 years, depending on their contributions. The contributions would vary on the age of joining the scheme. The minimum age of joining APY is 18 years and maximum age is 40 years. Therefore, minimum period of contribution by the subscriber under APY would be 20 years or more.

The benefit of fixed pension would be guaranteed by the Government. The Central Government will also co-contribute 50% of the subscriber's contribution or Rs. 1,000 per annum, whichever is lower, to each eligible subscriber account, for a period of 5 years, that is, from 2015-16 to 2019-20, who join the NPS before December 31 this year and who are not income-tax payers. The existing subscribers of Swavalamban Scheme would be automatically migrated to new scheme, unless they opt out.

Source

Back

Green light to insurance marketing tie-ups - Business Standard – 3rd March 2015

The Insurance Regulatory and Development Authority of India (Irdai) in its final guidelines on insurance marketing firms said they could solicit and procure insurance products of two life, two general and two health insurance companies at any point of time, after informing Irdai.

The insurance servicing activities of the insurance marketing firm (IMF) will include these undertaking back-office activities of insurers as allowed in the guidelines on outsourcing activities by insurance companies, becoming approved person of insurance repositories. They can also undertaking survey and loss assessment work by employing on their rolls licensed surveyor & loss assessors.

Under these norms, IMFs can market and service insurance through insurance sales persons, apart from marketing other financial products through financial service executives (FSE) engaged by an IMF. These include products of mutual fund companies; pension products of Pension Fund Regulatory and Development Authority; other financial products distributed by Securities and Exchange Board of India licensed investment advisors and banking/ financial products of banks/ non-banking financial companies regulated by the Reserve Bank of India. FSE can also market non-insurance products offered by Department of Posts, Government of India.

In general insurance, these firms can deal with only retail insurance products including motor, health, travel and other similar policies. Apart from the remuneration, the IMF may receive fees or charges from life insurance companies only in the form of service charges for recruitment, training and mentoring of their ISPs. These fees or charges must not exceed 50 per cent of first year commission and 10 per cent of renewal commission received by the Insurance Marketing Firm. No such payment shall be made in case of general/health insurance business. For being an insurance marketing firm, the applicant should have a minimum net worth of Rs 10 lakh. The insurance marketing firm has to designate a principal officer who shall be the overall in-charge and shall be responsible for regulatory compliance to the authority. The licence given to them will be valid for three years after which it can be renewed.

Source

Back

Insurers to seek clarity on pricing of social insurance schemes - Business Standard – 3rd March 2015

Insurance penetration, less than five per cent of the gross domestic product (GDP), could now get a boost with two new schemes launched in the Budget for individuals from lower-income groups. Insurers, however, are looking for more clarity on the pricing of the schemes before bidding for the contracts. During his Budget speech on Saturday, Finance Minister Arun Jaitley announced the two schemes — Suraksha Bima Yojana, an accident insurance with Rs 2 lakh sum assured and premium of merely Rs 12 per year; and Jeevan Jyoti Bima Yojana, a life insurance cover of Rs 2 lakh and an annual premium of Rs 330.

Jeevan Jyoti Bima Yojana will be for those aged between 18 and 50 years. Jaitley said these schemes would be part of a universal social security scheme. Both public and private life and general insurers can participate in these. Reacting to the announcement, the chief executive of a large life insurance company said the modalities of the scheme would have to be looked into before the industry places formal bids. “The tenure of the contracts, the government’s contribution and claims redressal will also be looked into, apart from the annual pricing.”

Industry officials said this would be similar to the other schemes where a tender would be floated and quotations sought. Those with the lowest annual premium quoted will be accepted. Insurers would require to apply state-wise for getting a particular scheme contract implementation in each state. Munish Sharda, managing director and chief executive officer, Future Generali India Life Insurance, said these measures would surely help higher insurance penetration and aims at providing a safety net of pension scheme to all Indians.

The Pradhan Mantri Suraksha Bima Yojana for accidental death insurance will be available to people in age group of 18 years to 70 years with bank accounts (since the premium will be auto-debited from the account). Here, the premium will be Rs 12 per annum, and the coverage would be Rs 2 lakh for accidental death and full disability and Rs 1 lakh for partial disability. “With these schemes, Jaitley has ensured the Indian populace is not only adequately insured against unforeseen circumstances but also has enough corpus to enjoy life after retirement,” said Miranjit Mukherjee, chief financial officer, Tata AIG General Insurance.

This scheme will be offered by all public sector general insurance companies and all other insurers who are willing to join the scheme and tie up with banks for this purpose. The Pradhan Mantri Jeevan Jyoti Bima Yojana (life insurance cover) will be available to people in the age group of 18 years to 50 years and having a bank account. People who join the scheme before completing 50 years can, however, continue to have the risk of life cover up to the age of 55 years, subject to payment of premium. Here, the premium will be Rs 330 per annum with coverage of Rs 2 lakh in case of death due to any reason. The scheme will be offered by Life Insurance Corporation of India and all other life insurers who are willing to join the scheme and tie up with banks for this purpose.

“We have seen in the government-sponsored health scheme, the pricing in bidding process has not been viable in some cases. Hence many private players will enter these new schemes only if pricing is sustainable,” said the underwriting head at a mid-size private general insurer. In the area of health insurance, Rashtriya Swasthya Bima Yojana (RSBY) offers provides cashless health insurance cover of Rs 30,000 a year to Below Poverty Line families (a unit of five persons) in the unorganised sector. RSBY was earlier extended to sections such as rickshaw pullers, rag pickers, mine workers, sanitation

workers, and auto rickshaw and taxi drivers. Beneficiaries need to pay Rs 30 per family at the time of enrollment. The scheme already covers street vendors, beedi workers, domestic workers, building and other construction workers and the Mahatma Gandhi National Rural Employment Guarantee Scheme workers who have worked more than 15 days during the previous year. The Centre pays 75 paise of every rupee of policy premium for the Rashtriya Swasthya Bima Yojana and the states pay the rest. It is not clear on how much will be the Centre's share in the new insurance schemes and on what basis will insurers be selected.

Source

Union Budget 2015: Insurance sector fears being pulled into 'Cess Pool', wants clarity on sops - The Economic Times – 2nd March 2015

Generally satisfied at the budgetary proposals of union Finance Minister Arun Jaitley for 2015-16, insurance industry officials however expressed their fears of being pulled into the "cess pool" of the Swachh Bharat Cess. Experts also told IANS that a clear legal clarity is needed on the proposal to hike the limit for deduction on health insurance premium.

Presenting the budget Saturday, Jaitley proposed to create a new cess called Swachh Bharat Cess, for which a cess of two percent will be levied as service tax on all or any of the taxable services for financing and promoting Swachh Bharat initiatives or for any other purpose relating thereto. "The proposed Swachh Bharat Cess of two percent on the value of any taxable service will have a cascading effect on the cost of services including insurance," C.L. Baradwaj, chief risk officer, Bharti Axa Life Insurance, told IANS.

He recalled the service tax was initially levied on telephone services and general insurance policies at five percent and over the years the scope was widened to include several other service sectors. Experts told IANS that it is wrong to call the two percent levy on services as Swachh Bharat Cess as cess is generally levied on a tax as additional charge.

On the other hand Swachh Bharat Cess is actually an additional service tax. It, as service tax, will be levied on all or any of the taxable services at two percent rate on the value of such services, experts told IANS. As a tax sop to the middle class Jaitley also proposed to increase the deduction in respect of health insurance premium from Rs.15,000 to Rs.25,000, while for senior citizens, the limit will stand increased to Rs.30,000 from the existing Rs.20,000. "However, in the Finance Bill 2015, the provisions relating to the above increase are missing," Baradwaj said.

Agreeing with him was D.Varadarajan, Supreme Court advocate and an expert in insurance/company/completion laws.

"The proposals of Jaitley has not been properly reflected in the proposed amendments to section 80D of the Income Tax Act, as contained in the Finance Bill, 2015, if one were to go through the proposed amendments in fine-print," Varadarajan told IANS.

The deduction for health insurance premium falls under section 80D (2) (a) and (b) or (3) of the Income Tax Act. "Clause (a) and Clause (b) of subsection (2) of section 80D (which provide for the above deductions) have not been amended to increase the limit from Rs.15,000 to Rs.25,000. Only for Hindu Undivided Family, the deduction has been specified by substituting a new sub-section (3) to Section 80D," he said.

According to Baradwaj, the non-amendment of clauses (a) and (b) would lead to restriction of exemptions.

On the other hand, the explanations to the Finance Bill clearly states the hike in deduction limits for amount's paid towards medical insurance for self, family and parents.

"There seems to be drafting lacuna or inadvertent omission in the proposed amendment to section 80D, inasmuch as the existing limit of Rs. 15,000 for individual assesses as contained in section 80D(2)(a) remains untouched. This would also be evident from the Explanatory Memorandum appended to the Finance Bill, 2015 in regard to the proposed amendment of section 80D," Varadarajan said.

He hoped this anomaly would be set right at the time of passing the Finance Bill, by suitably amending Section 80D.

Baradwaj said the increase in service tax from 12.36 percent to 14 percent would increase the cost of input services for insurance companies as well and consequently the CENVAT credit.

Alternative Service Tax rates for bundled life insurance products increased to 3.5 percent for first year's premium and 1.75 percent for renewal premiums, he added.

"The life insurance sector has been completely ignored in the budget. We expected a separate limit of Rs.50,000 on pension plans, but not to be. However, the finance minister has increased limit from Rs.100,000 to Rs.150,000 Lakh in New Pension Scheme," said Manoj Kumar Jain, CEO and whole time director, Shriram Life Insurance Company.

Source

Low-cost pension, insurance plans unveiled - Financial Chronicle – 1st March 2015

Union finance minister Arun Jaitley announced a slew of low cost pension and insurance schemes — Atal Pension Yojana, Pradhan Mantri Suraksha Beema Yojana for providing personal accident cover and Pradhan Mantri Jeevan Jyoti Yojana for providing life insurance cover. The budget also proposed to provide the salaried class with an option to choose between EPF scheme run by retirement fund body EPFO and the New Pension Scheme (NPS) as also between and health insurance products and Employees State Insurance Corporation's (ESIC) health insurance scheme.

Atal Pension Yojana will provide defined pension depending on the contribution made. To encourage people to join the scheme, the government will contribute 50 per cent of the beneficiaries' premium limited to Rs 1,000 each year, for five years, in the new accounts opened before December 31, 2015.

The soon-to-be-launched Pradhan Mantri Suraksha Bima Yojna will cover accidental death risk of Rs 2 lakh for a premium of Rs 12 per year, said Jailtley. "The third Social Security Scheme that I wish to announce is the Pradhan Mantri Jeevan Jyoti Bima Yojana which covers both natural and accidental death risk of Rs two lakh. The premium will be Rs 330 per year, or less than one rupee per day, for the age group 18-50," added Jaitley.

Nilaya Varma, head of government services, KPMG India said, "Proper implementation of the proposals for using the Jan Dhan Platform for social security is very positive. It has the potential to mitigate negative financial impact of catalytic health event for poor, which is one of the largest in the world."

"The challenge will be how effectivelyit is implemented and how easy it is for poor to benefit out of the new schemes." The budget also proposed to create a Senior Citizen Welfare Fund by using unclaimed deposits of about Rs 3,000 crore in the PPF, and approximately Rs 6,000 crore in the EPF corpus. The fund will be used to subsidize the premiums of vulnerable groups such as old age pensioners, BPL card-holders, small and marginal farmers and others. A detailed scheme would be issued in March.

The finance minister also proposed a new scheme for providing physical aids and assisted living devices for senior citizens, living below the poverty line. "With respect to the Employees Provident Fund (EPF), the employee needs to be provided two options. Firstly, the employee may opt for EPF or the New Pension Scheme (NPS). Secondly, for employees below a certain threshold of monthly income, contribution to Employment Provident Fund should be optional, without affecting or reducing the employer's contribution.

With respect to ESI, the employee should have the option of choosing either Employee State Insurance or a health insurance product, recognized by the Insurance Regulatory Development Authority (irda). We intend to bring amending legislation in this regard, after stakeholder consultation," said Jaitley. Jaitley said that despite serious constraints on Union finances, the government has allocated Rs 30,851 crore for scheduled caste, Rs 19,980 crore for scheduled tribe and Rs 79,258 crore for women.

To promote the government's cleanliness drive, the Budget proposed 100 per cent deduction for contributions, other than by way of corporate social responsibility contributions, to the Swachh Bharat Kosh and Clean Ganga Fund. The budget also proposed to have an enabling provision to levy Swachh Bharat Cess at a rate of 2 per cent or less on all or certain services. "This Cess will be effective from a date to be notified. Resources generated from this cess will be utilised for financing and promoting initiatives towards Swachh Bharat," said Jaitley.

CL Baradhwaj, senior vice president (compliance) & chief risk officer, Bharti AXA Life Insurance, "As the Indian population matures, one of the key burden on the government is to make the ageing population self-sufficient through social security measures. In the absence of any kind of compulsory health insurance like the Obamacare in the US, it is imperative for the government to make provisions for covering the risk of longer."

Source

Back

Insurance covers that you must have – Mint – 1st March 2015

This cover is especially important for the primary earner of the household to ensure that death does not affect at least the lifestyle of the dependants. If you do not have a life cover yet, opt for a term cover, and an online one at that. If you die during the term, your nominees get the sum assured. But if you survive the term, you get nothing back. The ideal sum assured is 8-10 times the annual income.

Healthcare costs are astronomical and emergencies can crop up any time. So, health cover for the whole family is a must. Even if your employer offers group medical cover, it's better to get your own. Start with an indemnity policy; it pays for hospital bills and also reimburses expenses incurred before and after hospitalization. You could either buy it for each family member or a floater policy.

This cover offers financial compensation if you meet with an accident. This policy comes with four covers: death, permanent disability, permanent partial disability and temporary total disability. Opt for a comprehensive plan that covers all four. Typically, the maximum cover you can get is 10 times your annual income.

It not only insures your home, even if rented, against unpredictable events, such as an earthquake or a fire, but also your valuables such as consumer durables and jewellery. It also insures against burglary, theft and so on. You can opt for a reinstatement cover that will cover the cost of reinstating the damaged portion of the house and the contents. Make sure you adequately insure the house. Say, the cost of construction of your house is Rs.1 crore and you take a cover of Rs.50 lakh. If you make a claim of Rs.10 lakh, the insurer will only pay Rs.5 lakh.

A comprehensive car insurance policy covers not only your liability towards a third party but also pays for damages to your car and to the passengers in case of death. Though there are many riders to choose from, the three important ones are: depreciation cover, return to invoice and insurance for the car engine. High-end car owners should opt for more riders. You should transfer the no-claim bonus (available under comprehensive covers) when buying a new car. This way, you would be able to save 20-50% on the first premium.

Source

Back

Insurance industry threatens to go on nation-wide stir - Deccan Chronicle – 27th February 2015

Opposing the proposed billallowing foreign direct investments in insurance sector, the General Insurance Employees' All India Association has threatened to stage a nation-wide stir if the Centre goes ahead with its proposal. The General Insurance Employees' All India Association comprises four public sector general insurance companies - National Insurance Company, New India Assurance Company, Oriental Insurance Company and United India Insurance.

The NDA government has proposed to bring the new Insurance Bill in Lok Sabha next week to replace the ordinance it had promulgated in December to hike the FDI limit in the insurance sector to 49 per cent from the existing 26 per cent and has been caught in a logjam with the Congress-led opposition insisting that it be referred to a select committee.

"The government has brought the ordinance in a hurry. This will only curb the insurance industry. We have given crores of dividend to the government," General Insurance Employees' All India Association General Secretary G Satyanarayana told reporters.

Noting that the members of the Association have expressed unhappiness over the Bill and have met the Finance Ministry officials in this regard, he said, "as a next move, they are planning to bring it in Lok Sabha. We strongly oppose it." "As part of protesting it, we will stage a countrywide strike on the very next day when the government brings the Bil in Lok Sabha," he said.

Around 75,000 employees would participate in the strike across the country, he said. "Our demand is that similar to Life Insurance Corporation, all the four public sector insurance companies should be merged. Second, the Insurance Bill should not be passed", he said.

Source

Back

Firms can hire insurance agents without Irda nod - Financial Chronicle – 27 February 2015

Hoping to bring about changes in the insurance industry this year, the insurance regulatory development authority (Irda) has decided to allow companies to appoint insurance agents, without their intervention and would also make way for foreign companies to set up their branches here.

"This year some major changes that we are working upon is to allow appointment of individual agents by companies alone and this will happen from April. On the other hand, we would also bring about a separate set of regulation for the health insurance segment, which has been recognised as a third line after life and non-life," said TS Vijayan, chairman, Irda. Agents were so far hired through licensing mechanism. The insurance sector watchdog is also waiting for the second set of rules for FDI investment to be brought out by the government and is thinking on lines of allowing branches of foreign companies to be set up in the country, which is not allowed now.

With the approval of FDI in insurance, the industry, especially the life segment could get a breather as most of the companies haven't reached breakeven and are in want of capital. "We should be welcoming capital from wherever it comes. Quite a large number of companies need capital to breakeven and traditionally, life segment needs more capital and this where most of it would go," he said.

The insurance penetration is now at around 3.5 to 4 per cent and it may go up to 6 per cent in the coming five to six year. To grow to this level, the industry would need capital of around Rs 50,000-60,000 crore. According to a McKinsey report, unveiled by Vijayan on Thursday, the overall insurance industry in India can be around $250 billion. The report states that in order to achieve a holistic breakthrough situation, the regulator's role would be to " accelerate distribution reforms by playing a more directional top down role and also introduce product reforms like automatic pricing increase linked to standard inflation index annually."

Source

Back

India: Lower house passes insurance amendment Bill – Asia Insurance Review

India's lower house of Parliament, the Lok Sabha, has passed a long-pending Bill to increase the foreign investment limit in local insurers to 49% from 26%, among other changes. The Bill now faces its real test in the upper house of Parliament where the ruling Bharatiya Janata Party (BJP) is in a minority and is dependent on opposition parties to pass the legislation, reported Reuters. The passage of the Bill in both the houses of Parliament is critical to make a related insurance ordinance containing the provisions in the Bill, that Prime Minister Narendra Modi's administration issued last December, permanent.

The Congress Party, which is an opposition party, voted with the BJP in the Lok Sabha to pass the Bill yesterday. "It was our Bill," said M. Veerappa Moily, a senior Congress leader. "So we supported it." The Bill was introduced in 2008 by the then Congress coalition government. The party's support in the lower house has raised hopes that it would also back the Bill in the Rajya Sabha, or the upper house.

"I hope the Congress will support it in (the) Rajya Sabha," Minister of State for Finance Jayant Sinha said after the vote. "If the Bill is defeated in the Rajya Sabha, it does open an opportunity for a joint session (of Parliament)." In a joint session, in which the total strength of Parliament will be 790, the government will require 396 votes to get the Bill passed. It is reported to have the necessary margin to pass the Bill in a joint session.

Other provisions in the Bill will, among other things, allow state-owned general insurers to raise funds from the capital market and provide for increased penalties to deter multi-level marketing of insurance products. The Life Insurance Council and the General Insurance Council, which represent insurers in the respective sectors, will act as self-regulating bodies.

Justifying the decision to raise the investment ceiling to 49%, Mr Sinha said the country needs this as "our insurance penetration is low". He said more foreign investment is required in the sector to provide more coverage to the people of India. Responding to questions posed by lawmakers, the minister said that in the banking sector, the foreign investment cap is 74% and he wondered why it cannot be increased in the insurance sector.

Source

Back

India: Insurance market to quadruple to about US$250 bln a year by 2025 – Asia Insurance Review

India's insurance sector is expected to quadruple to about US$250 billion over the next decade from around US$60 billion at present, according to a study by the Confederation of Indian Industry (CII) prepared in partnership with consultancy firm McKinsey & Co. The report said that the Indian insurance industry is currently the 16th largest market in the world and is expected to be one of the top 10 markets by 2025. The study, "India Insurance Vision 2025" recommends an inclusive and progressive growth strategy for the industry . Such a strategy would enable the Indian life insurance industry to achieve 12% compounded annual growth rate (CAGR) to reach US$160 billion and the non-life insurance industry to see 22% CAGR to US$80 billion over the next 10 years, the report said. "The last few years have been challenging for the industry with declining growth in life insurance premiums and significant challenges in non-life profitability. This was driven by a combination of macroeconomic factors and structural challenges inherent in the insurance industry.

"However, an improving economy with potential regulatory reforms and concerted action by industry players can usher in an era of significant growth as well as value creation," the report added. Mr Analjit Singh, head of the CII national committee on insurance and pensions and Chairman of Max India, said that the industry has the potential to grow three to five times in size over the next decade. "For this to happen, policy action by the regulator, collaboration between players, and the individual player's push to develop distribution and technical capabilities, would be critical," he said.

Source

Back

India: Insurance/pension plans for masses announced in FY2015/16 Budget - Asia Insurance Review

Finance Minister Arun Jaitley has rolled out several social security schemes involving new insurance and pension plans in his Budget speech last Saturday, with insurance coverage for accidents, health, life and a pension scheme for all. The Budget covers the fiscal year starting on 1 April 2015. "A large portion of India's population is without any insurance coverage —health, accident or life. Worrisomely our young population also ages and it is also going to be pension-less," he said, explaining that he was proposing a universal social security system, specially the poor and unprivileged. Accident cover of INR200,000 (US$3,244) will be available for an annual premium of INR12. According to industry estimates, 63 million people have been driven into poverty due to the high cost of healthcare. 73% of the country's population live in rural areas and 26.1% are below the poverty level. Health insurance penetration in India is only around 5% overall with about 13-15% in urban areas.

Mr Jaitley also announced a life insurance plan for the underprivileged under which a life cover of INR200,000 will be available for a premium of INR330 per year for those in the 18-50 age group. He proposed too to extend benefits to the middle class by increasing the ceiling on deductions for health insurance premiums from INR15,000 to INR25,000. For senior citizens, the limit will be raised from INR20,000 to INR30,000, and for those aged above 80 years, and not covered by health insurance, a deduction of INR30,000 towards medical treatment expenses will be allowed. He proposed a pension scheme to be called Atal Pension Yojana, which will provide a defined pension depending on the contribution. "The government will contribute 50% of the contribution made by the individual limited to INR1,000 each year for five years for new accounts opened before 31 December 2015," he said. Mr Jaitley said: "In sum, these social security schemes reflect our commitment to utilize the Jan Dhan platform, to ensure that no Indian citizen will have to worry about illness, accidents, or penury in old age." Jan Dhan refers to a comprehensive financial inclusion programme launched by Prime Minister Narendra Modi last August.

The limit on deductions for contributions to pension funds will be raised to INR150,000 from INR100,000. "This will enable India to become a pensioned society instead of a pensionless society," he said. However, Mr Jaitley did not offer any tax deduction for premiums paid towards home insurance policies and personal accident insurance policies.

Source

Back

IRDAI Regulation

Centre sets rules to raise FDI cap in insurance to 49% - The Hindu Business Line – 3rd March 2015

The ground has been set to raise the foreign direct investment (FDI) cap in the insurance sector to 49 per cent from 26 per cent.

Press note
On Monday, the Commerce and Industry Ministry issued a press note on implementing the government decision to raise FDI cap in the insurance sector.

This follows approval given by the Union Cabinet to promulgation of an Ordinance hiking the FDI limit to 49 per cent in December last year. The BJP-led government promulgated the ordinance just days after the legislation to amend the insurance law could not be passed in the Winter session of Parliament. As per the press note issued by the Department of Industrial Policy & Promotion, FDI up to 26 per cent in insurance will be through the automatic route, while levels above 26 per cent and up to 49 per cent will have to come through the government route.

Copies of the press note have been forwarded to officials in the Department of Economic Affairs and the Reserve Bank of India for "suitably incorporating the policy changes in the Foreign Exchange Management Regulation 2,000." The Insurance Laws Amendment Bill, 2008 could not be taken up for discussion during the Winter session despite being approved by the Select Committee of the Upper House, as Opposition parties had vehemently opposed it.

Bill soon in Parliament
A Bill to replace the Ordinance is likely to be placed in Parliament in the on-going session.

FDI of up to 49 per cent in the insurance sector includes foreign investment in the forms of foreign portfolio investors, foreign institutional investors, qualified foreign investors, foreign venture capital investor and non-resident Indians. A foreign player can invest in insurance company, insurance brokers, third party administrators, surveyors and loss assessors and other insurance intermediaries appointed under the provisions of IRDA Act 1999.

Source

Back

Life Insurance

Demystifying return on life insurance - Financial Chronicle – 4th March 2015

The returns on a life insurance policy often seem to be a confusing concept. This is true not just for a policyholder, but also to all other stakeholders. More often, the industry as a whole and all its stakeholders insist that the returns on a life insurance policy are low. The returns from a traditional savings product range between 3 to 5 per cent and they are on the lower side when compared to any other savings instrument.

But while comparing these returns with other savings instruments, people tend to forget two basic factors. The first and most important one is that a life insurance product ensures protection of loved ones in unforeseen eventualities and not originally designed as a savings product. One primarily pays for the insurance cover in a life insurance plan. The cost of life insurance goes up as people get older. This is mainly owing to the fact that the probability of death increases with age and hence the cost of insurance cover also rises. When the reality on this cost of insurance is ignored by policyholders, it leads to huge misselling.

Since policyholders are looking only at returns from an insurance policy, some intermediaries mislead them by indicating high returns. Surprisingly, sometimes the return promised is higher than any other savings vehicle! For example, "your money will double in three years". Contrary to common practice of getting carried away by the promise of lucrative return, one should always apply his or her mind and stop believing in such commitments blindly.

To reiterate, life insurance equips one to face the uncertainties of life and protects against the financial losses resulting from death. The insurer promises to pay one's beneficiary a specific amount of money when a person dies in exchange for timely payment of premiums. Any individual who has financial dependents needs life insurance. Savings is another aspect of life insurance which helps one meet financial goals in life.

The other important factor is commission to the intermediary. One pays commission for the financial advice he or she receives. But Indians generally don't like this idea of paying for advice. We need to realise that insurance is a complicated product and hence one needs advice. If you are really an informed customer and don't need advice, you may want to buy online policiesThere are some practices in the market to share the commission with the policyholder. Sometimes, 100 per cent of the commission is shared.

Therefore, prospective policyholders should come out of these confusions. You are paying for the cost of insurance and hence you need to exclude this cost from the calculation while calculating returns on your insurance policy. The returns then will be comparable to any other stable investment vehicle. You also need to make it clear to the intermediary that you are not looking for highest returns from your insurance policy. You

Source

are looking for insurance and, of course, some decent returns from the balance of the premium. If you really don't want to invest your savings in an insurance policy and if you only want insurance protection, you should buy a pure term insurance policy. And most importantly, it is not advisable to ask for a share of commission of the intermediary - you can't then expect sound, unbiased advice.

Back

Life insurers need more tax breaks - The Hindu Business Line - 27th February 2015

The Centre should look at introducing more tax concessions for long term saving instruments such as life insurance policies, said Manoj Kumar Jain, CEO, Shriram Life Insurance.

Source

He said in a release that the Budget should also consider exempting from service tax insurance agents and some insurance products. For example, he says, single premium products attract a high indirect tax, making them fairly expensive for the consumer.

Back

Health Insurance

Budget 2015: Focus on health, scanner on wealth - The Financial Express – 1st March 2015

For individual taxpayers or the salaried class, the finance minister has neither tinkered with the tax slab nor increased the section 80C deduction cap. However, he increased the deduction on health insurance premium from R15,000 to R25,000 and from R20,000 to R30,000 in case of senior citizens, given an additional tax benefit of R50,000 for contribution to the National Pension Scheme (NPS) and even increased monthly transport allowance from R800 to R1,600.

Following these changes, an individual can save up to R6,180 in the lowest tax bracket of 10.3%, R12,360 in the 20.6% bracket and R18,540 in the highest tax bracket of 30.9%. The total deduction that will now be available to an individual is R4,44,200 a year, which works out like this:

Deduction under 80C R1,50,000; deduction under 80CCD R50,000, deduction on account of interest paid for a self-occupied property R2,00,000, deduction under 80D R25,000 and exemption of transport allowance R19,200.

The additional tax deduction of R50,000 for investment in NPS under section 80 CCD will be over and above the R1.5 lakh under 80C. Rakesh Nangia, managing partner, Nangia and Company, says the move will enable India to become a pensioned society instead of a pension-less society. "The proposal will help the investor in saving for his retirement years, or the conservative investor in building up a healthier corpus for achieving his financial goals."

The government will bring in legislation where the salaried class will have an option to choose between NPS or EPF contribution. Wealth tax, a low-yield instrument, has been abolished and instead an additional 2% surcharge on the super-rich (annual income of R1 crore) has been introduced.

For the welfare of the girl child, the finance minister has announced Sukanya Samriddhi Account Scheme, which will qualify under Section 80C — even the interest accruing on deposits and withdrawals will be tax-exempt. For unclaimed deposits of R9,000 crore in PPF and EPF, the minister has proposed the creation of a Senior Citizen Welfare Fund. The government has also announced various social security schemes like Atal Pension Yojana, a defined pension for senior citizens.

Says Divya Baweja, Partner, Deloitte Haskins & Sells LLP, "The budget in effect results in an aggregate saving that is likely to be offset by the increased cost of spending arising due to an increase in the service tax rate. For individuals earning over R1 crore, the effective tax rate goes up from 33.99% to 34.61% approximately, which brings it more or less in line with the 35% proposed in DTC."

Individuals below 60 years and even senior citizens can gain by increasing the yearly premium on health insurance. Sandeep Patel, managing director and chief executive officer of Cigna TTK Health Insurance, says that given high medical inflation, the increase in deduction for premium paid is a step in the right direction. "The increase in the tax deduction limit on the premium clearly indicates the government's focus on preventive healthcare and building awareness on health and wellness."

Source

Similarly, V Jagannathan, chairman and managing director, Star Health and Allied Insurance, says there is a clear intention of pushing health insurance coverage by incentivising taxpayers to spend more on health insurance. “There is also an increased focus on providing a safety net for senior citizens by increasing health insurance tax benefit from R15,000 to R25,000 and allocating R30,000 towards the treatment of critical diseases for senior citizens,” he says.

Back

India: Banks turn to medical insurance for employees – Asia Insurance Review

The Indian Banks' Association (IBA) has reached an agreement under which banks will from now on buy health insurance cover from one of the state-run general insurance companies instead of reimbursing the medical expenses of staff in full. The coverage would be for more than one million bank employees.

The move means that state-run general insurance companies could be in line for additional premiums of INR16 billion (US$259 million) a year, reported The Economic Times citing two people familiar with the matter. This could also reduce the expenses of banks and put a cap on their liabilities.

"This is a path-breaking agreement," said Mr TM Bhasin, Chairman of IBA and Chairman and Managing Director of Indian Bank. "Besides a 15% hike and a holiday on alternate Saturdays, it is mutually agreed that the banks will buy medical cover for the employee and his family."

Although no definitive agreement or insurance underwriter has been signed up, executives in both banking and insurance industries indicate that the outlay could be about INR15 billion to INR17 billion. The amount will depend on the individual bank's negotiating power.

IBA will invite bids from the four general insurance companies which will provide cover for all the one million employees and their family members, said Mr Bhasin. The four general insurers are New India Assurance, National Insurance, Oriental Insurance and United India Insurance.

Source

If a family floater scheme (for four members of a household) is chosen for medical cover per employee of around INR400,000, it may cost about INR5,000 per policy which takes the total premium to INR16 billion, said an executive at an insurance company.

Back

General Insurance

Farmers’ groups make a push for weather-linked crop insurance - The Hindu Business Line – 3rd March 2015

The weather disturbance over the past two days has resulted in widespread crop damage across Northern India, particularly to the standing wheat crop as well as mustard and potato. With lack of rainfall and unseasonal rainfall becoming more common in recent years, members of farmers’ groups on Monday told BusinessLine that both the Centre and States need to work seriously towards implementing a Weather Based Crop Insurance Scheme (WBCIS).

“From what we hear from Rajasthan, insurance and government compensation do not cover the damage caused by excess rainfall and hailstorms (mainly during the Rabi season). We have been saying that insurance must cover weather-related damage and not just loss of yield,” said Vijoo Krishnan, Joint Secretary, All-India Kisan Sabha (AIKS).

Last month, AIKS wrote to Agriculture Minister Radha Mohan Singh, outlining its demands, which include the unit of insurance being the ‘revenue village’ instead of assessment being done at the ‘taluk’ or ‘mandal’ level. It pointed out that WBCIS coverage was minuscule across India.

“We’re against handing over insurance mechanisms to private firms. They have been benefiting from earning premium even in seasons when there is no crop loss. It isn’t carried over to the following year while these companies also earn money through the government,” Krishnan added.

Bharatiya Kisan Union spokesman Rakesh Tikait said that insurance schemes need to work on an individual farmer basis instead of the system in Uttar Pradesh, where a group of villages under a panchayat is treated collectively.

"There will be 5-6 villages under a panchayat. To avail of insurance, 50 per cent of the crops across these villages need to be damaged but if it's one village then there's no benefit. Wheat and mustard are important crops in the agri-economy, the government should consider that," he said.

Targeting individuals

At present, there are three primary insurance schemes across States — the National Agriculture Insurance Scheme (NAIS, linked to production), the Modified NAIS and the WBCIS.

"There are pre-defined product structures under WBCIS wherein payouts are specified. The choice to implement schemes in districts is up to the States. In Rajasthan's Sikar district, for example, it's been adopted for the wheat crop, where between March 1 and April 15, if rainfall exceeds 10 mm, then there's a payout of a certain amount per mm," said Bhupesh Sushil Rahul, Chief Marketing Officer, Agriculture Insurance Company of India Ltd (AIC).

The AIC, promoted by four public sector undertakings, including Nabard and General Insurance Corporation, has sole proprietorship of the NAIS. MNAIS and WBCIS operations are undertaken by AIC as well as private companies, including ICICI Lombard, Cholamandalam MS and HDFC ERGO. Rahul pointed out that targeting individual farmers is tough given the small landholdings across most of India, which makes assessing individual farmer losses untenable. "The cost of assessment will be so high that the rate of premium would be unaffordable. That's why crop insurance here is on an area approach basis," he said.

Source

Back

General insurers' returns may be hit by Irda investment norm - The Economic Times – 3rd March 2015

Returns made by general insurance companies may come under pressure as the Insurance Regulatory and Development Authority is planning to slash investments in securities 'other than those approved' by 10%. General insurance companies are allowed to invest 25% of the total premium collected in a fiscal into 'other than approved securities'. "Investment norms for general insurers under the 'other than approved securities' will be aligned with life insurance companies, which would mean a reduction by 10%," said an Irda official. "We are analysing the extent of effect it has on insurance companies."

The regulator has called a meeting with public sector insurance companies to understand the impact. Liabilities of general insurance companies are different from life companies. The four public sector general insurance companies had an investment portfolio of Rs 1,01,707 crore as on March 31, 2014. Insurance companies make money on investment to sustain their business. Most insurance companies are making underwriting losses. Investment income of the four public sector general companies — New India Assurance Company, National Insurance Company, United India Insurance Company and Oriental Insurance Company — grew 9.11% in the last financial year. Similarly, private sector companies saw 13.27% growth in investment income.

"We will have to see how it impacts our investment income," said chairman of a state-run insurance company. General insurance companies had reported underwriting losses of Rs 7,549 crore in the last fiscal. Insurance companies collect premium and put them into various securities including debt and equity. General insurance companies are allowed to invest 30% into government securities including state and central; 45% in other approved securities including equities and corporate bonds; and 25% in other than approved securities.

Source

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Survey & Report

Insurance Sector to Reach $250 b in 10 Years: CII - The Economic Times (Mumbai) – 27th February 2015

India's insurance sector is expected to quadruple to about $250 billion over the next decade from around $60 billion now, according to a report by the Confederation of Indian Industry (CII). The vision report, prepared by the trade body in partnership with consultancy firm McKinsey & Co. and unveiled by the Insurance Regulatory and Development Authority (Irda) chairman TS Vijayan in Hyderabad on Thursday , recommends an inclusive and progressive growth strategy for the industry . Such a strategy would enable the Indian life insurance industry to report 12% compounded annual growth rate (CAGR) over the next 10 years to reach $160175 billion from around $46 billion now, the report said. The non-life or general insurance part of the industry is estimated to see 22% CAGR during this period, expanding to $80 billion from around $13 billion now, it said.

Vijayan said the regulator has allowed foreign reinsurance firms to open branches in India.He also announced the regulator's decision on allowing insurance firms to recruit agents on their own, instead of appointing them from those who have qualified in an Irda-organised examination. Vijayan said the upcoming insurance Ordinance has several measures that would support growth. "Our priority would be to protect the interests of the policyholders and we need to ensure the satisfaction of the customer for which we are bringing certain changes in the new Act," he said, adding that the sec . 50,000 crore of fresh capital to tor needs at least ` achieve coverage of 6% from the existing 4%.The life insurance segment would require more capital over general insurance, he said.

Analjit Singh, head of the CII national committee on insurance and pensions and chairman of Max India, said the industry has the potential to grow three to five times in size over the next decade. "For this to happen, policy action by the regulator, collaboration between players, individual player's push to develop distribution and technical capabilities would be critical," he said.

Source

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Global News

China: CIRC looking at heavy equipment insurance trials - Asia Insurance Review

The China Insurance Regulatory Commission (CIRC) has issued draft guidelines for trials on providing insurance for major high-cost technical equipment. The project is likely to entail co-insurance or insurance syndicates given the multi-million-dollar assets involved such as nuclear plant equipment. The trials are to be overseen by CIRC jointly with the Ministry of Finance and the Ministry of Industry and Information Technology. Insurance companies will provide comprehensive insurance cover for the equipment, including quality and liability coverage; equipment manufacturers will buy the insurance policy while the user of the insured equipment will be the beneficiary under the policy.

Premium subsidies

The central government will provide premium subsidies for insurance projects which meet standards set down by the three government agencies. CIRC said that the equipment to be insured involves heavy costs, high risks and are innovative in nature, and for which there is a lack of insurance data.

CIRC's draft guidelines state that members of a coinsurance scheme should have a combined registered capital of not be less than CNY20 billion (US$3.2 billion). Each member must have a solvency ratio of at least 150% for the previous three years. In addition, the chief underwriter in the co-insurance scheme must be an insurance company with strong risk management ability, sound institutional network, quality underwriting and claim handling services and relevant experience.

An insurance company which wishes to be the sole underwriter of heavy technical equipment should have a registered capital of not less than CNY50 billion, in addition to the other conditions required of members of a co-insurance scheme.

In a co-insurance set-up, CIRC encourages the chief underwriter in the group to issue the insurance policy and unify claims handling, so as to offer quality services to the customer. A co-insurance agreement is to be signed by the members of the syndicate, setting out revenue and cost sharing arrangements and individual members' rights, obligations and liabilities.

The Insurance Association of China will issue a unified set of criteria for the comprehensive insurance coverage to be provided. For example, for quality coverage, the risks to be insured include instances in which the user asks for repairs to be carried out; or for a change of the equipment, or for the equipment to be returned to the manufacturer. Liability coverage relates to risks of economic losses, injury or death from the use of the equipment.

However, in underwriting cover for aircraft, ships, marine equipment or installations, nuclear plant equipment or other heavy high-priced equipment, the insurance companies and the policy buyers can work out the terms of the insurance coverage between themselves or refer to internationally accepted underwriting practices.

Source

Philippines: Microinsurance changes the game for non-life sector - Asia Insurance Review

The growing market for microinsurance is giving non-life insurance companies a shot in the arm, as many of them are facing difficulty complying with higher capitalization requirements, according to the Philippine Insurers and Reinsurers Association (PIRA).

"Microinsurance is probably the biggest thing that happened in the insurance industry in the past 20 years because it is forcing the insurance industry to change. If the industry is to survive all the challenges it faces — and that includes natural catastrophes — it must change the way it does things," PIRA chairman Michael Rellosa said in a speech at a recent regional conference on microinsurance and natural catastrophes.

According to Mr Rellosa, microinsurance is forcing the sector to design more simple, accessible and affordable products, while also finding distribution channels and processes that would entail lower costs, reported the Philippine Daily Inquirer.

Also, microinsurance is changing the way insurers apply insurance principles when dealing with their customers, Mr Rellosa added. "One basic principle of insurance that microinsurance is sidestepping is the principle of indemnity. Microinsurance deals with fixed amounts and not the previous state in which the client was before the loss happened. Therefore, the settlement of claims is faster and questions are fewer, because the amount of claims to be settled is already known," he explained.

According to the Insurance Commission, about 28 million Filipinos or more than a fourth of the population are covered by microinsurance as at the end of 2014.

Mr Rellosa also said that the fast-paced growth of microinsurance was helping struggling nonlife firms.

"We are currently in survival mode. From a high of 105, PIRA's members are now down to 65. This is mainly due to the high capitalization required of us by the new Insurance Code. We expect the number of our members to go down further in the coming years. That is, if we don't grow the market, or if we don't enlarge the pie," he said.

Under the insurance law, all life and nonlife insurance companies must have a minimum net worth of PHP550 million (US$12.5 million) by end-2016. The minimum net worth of insurance firms should further increase to PHP900 million by the end of 2019, and to PHP1.3 billion by end-2022.

With microinsurance, the size of the insurance market has a good chance of expanding, Mr Rellosa said. "Those formerly considered too poor to afford insurance will now be able to buy insurance products at a price they can afford through a distribution channel that they know and trust," he added.

Source