भारतीय बीमा संस्थान
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QUOTE OF THE WEEK

"Leadership is not about a title or a designation. It's about impact, influence and inspiration. Impact involves getting results, influence is about spreading the passion you have for your work, and you have to inspire team-mates and customers."
– Robin S. Sharma

INSIDE THE ISSUE

INSURANCE INDUSTRY

Bankruptcy professionals must have cover: Insurers – The Times of India – 21st December 2018

Insurance brokers have written to the Insolvency and Bankruptcy Board of India (IBBI) asking for the professional indemnity cover for resolution professionals (RPs) to be made mandatory. RPs are independent managers who perform the role of chief executives and run the business on behalf of creditors once the company is admitted for bankruptcy.

Last year, the insurance industry designed a specialised cover for RPs to enable them do their job freely and without fear of legal action. RPs have to deal with pressure from promoters and creditors who continue to wield influence on the businesses even after it has been admitted for bankruptcy. They also face action and penalties from the IBBI.

However, while there are over 2,000 individuals who are qualified as RPs, managing over 1,200 companies that have been admitted, less than a hundred have opted for the insurance cover. In the initial large cases, RPs who are supported by global management consultancy firms have gone in for insurance covers, said JLT Independent Insurance Brokers director Amit Agarwal. However, in smaller cases, the RPs have shunned the cover.

“One reason for this could be that banks are no longer indemnifying RPs. They are expected to buy the cover on their own from the fees they receive,” said Agarwal. New India Assurance and other public companies were among the earlier issuers of the specialised cover. JLT Insurance Brokers had also started work on a crisis response cover after some RPs started facing threats with one of them being kidnapped and receiving death threats.

In financial markets, regulator Sebi mandates professionals like stock brokers to buy a professional indemnity cover. However, the IBBI, which registers RPs, does not mandate any such requirement. “The RPs understand the risk that lies there, but they do their own risk-reward analysis. We have noticed that where the fee is larger, the smaller is the risk appetite,” said Agarwal. This is because the premium is a percentage of the fee and on higher fees the RP pays more in absolute terms.

Insurance companies are also not geared to provide a low-value cover of Rs 20-25 lakh where the premium is more affordable. However, insurance companies and brokers are working on making the cover more affordable.

Source

TOP

Why digital tech is the way forward for insurance companies, too - The Hindu Business Line – 18th December 2018

It’s not just banking. Other financial services segments such as insurance are also taking to digital technology.

With insurance penetration in India among the lowest in the world at an estimated 3.49 per cent in 2016-17, insurers are using digital platforms to expand their reach beyond metros.

For instance, Reliance Nippon Life Insurance partly credits its turnaround over the last two years to digital.

Its initiatives include a digital platform, Super Express, which issues policies in a 30-minute process and provides instant customised illustration.

“Super Express enhances sales performance by tracking sales activity, generating real-time customer propositions and facilitating instant issuance,” said Ashish Vohra, CEO and Executive Director, Reliance Nippon.

According to Tarun Mathur, Chief Business Officer at PolicyBazaar, about 7 per cent of all insurance policies sold in the country are via online channels; the ease, convenience and reach are the major attractions.

AI, chatbots

Most insurers have now also adopted technologies such as artificial intelligence (AI) and chatbots to provide a better interface to customers.

"In today's world, people don't have the time to wait for an agent. They want to log on, explore and understand products on their own and even buy policies on their own," noted an executive with a general insurer, adding that this has reduced misselling.

From comparing policies for health and motor insurance, people also tend to go digital when buying small-ticket products such as travel insurance or home insurance.

Insurers are also embracing digital technology in Tier 2 and 3 cities for training agents and helping customers understand policies.

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India: Capital rules to be revised to attract more insurers offering specific lines – Asia Insurance Review

The insurance regulator IRDAI is in the process of tweaking capital requirements for insurance companies, Mr Nilesh Sathe, Member (Life) of the regulatory authority, has said.

"In India, the capital requirement at present is INR100 crore ($13.9m), which is quite high as compared to advanced nations," Mr Sathe said, according to a report by the Press Trust of India.

This amount would be changed so that many aspirants could join the insurance sector, he told reporters on the sidelines of a seminar on 13 December. The insurers would also not need to offer a plethora of products but could stick to select ones, he said.

Risk based capital

Mr Sathe also said that the proposed risk-based capital (RBC) framework is likely to be in place by 2020-21.

"Right now, there is a standard capital requirement irrespective of what business you do. But in advanced nations, it is not so. If there are some players looking only for a regional presence or are looking at some specific line of business, then there is no need to keep aside so much capital. This is what the risk-based capital will address," he said, according to a report in *Hindu Business Line*.

This might encourage new players to enter the Indian insurance market with specific offerings, thereby improving insurance penetration in the country.

Sandbox approach

The regulator is also working on adopting a sandbox approach to promoting innovation in the industry.

"We have formed a committee, which is looking into this. We will come up with guidelines soon," Mr Sathe said.

A sandbox approach allows insurance companies to experiment and test certain innovative products before filing for approval of the same. The approach would also help contain the impact of failures.

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Source

INSURANCE REGULATION

Irdai clears the air on remuneration for insurance web aggregators - Business Standard – 15th December 2018

The Insurance Regulatory and Development Authority of India (Irdai) made it clear that the remuneration made to the insurance web aggregators will be in line with what is listed for insurance intermediaries.

Irdai was clarifying on the queries of the insurance companies on outsourcing activities undertaken by insurance web aggregators and remuneration payable to them.

In a circular in 2017, Irdai included the web aggregators in the category of insurance intermediaries.

The job of an insurance web aggregator is to provide information on insurance policies of various companies on their website.

Renumeration will be paid to the aggrregators only in case of a lead being converted into policies that are bought by policyholders. However, "no charges shall be paid to the aggregators for transmission of leads to the insurers".

Moreover, the insurance companies will pay them the same commission that is paid to an intermediary for the post sale operation of a policy that the aggregator will indulge in.

"Insurance web aggregators can get remuneration & rewards for the leads converted into insurance policies. They can also undertake outsourcing functions to provide insurance services in respect of the policies procured through them," said the Irdai circular.

The payment of commission /remuneration / reward to insurance agents and insurance intermediaries regualtions of 2016 of the Irdai describes the maximum remuneration that can be payable to the intermediaries under which the web aggregators also come in. Moreover, the web aggregator also charge an annual fee from the insurance companies to display the products their product on their websites.

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LIFE INSURANCE

Unclaimed insurance payout: Know how you can claim it – Financial Express – 19th December 2018

Unclaimed amounts include any money held by insurers but payable to policyholders or beneficiaries, including interest accrued, remaining unclaimed beyond six months from due date or settlement date of such amount. The unclaimed amounts may arise in respect of death claim, health benefit claim, maturity claim, survival benefit, surrender or foreclosure, premium due for refund, premium deposit not adjusted against premium and indemnity claims.

In case of general and standalone health insurers, premium received in advance, unallocated premium which has neither been set off or adjusted against the premium during the currency of the policy nor has been refunded within six months from the expiry of the policy are considered as unclaimed amount.

Why are there unclaimed?
Unclaimed amounts may occur due to any of following reasons:

- The beneficiary is not traceable or not contactable at the time of claim settlement
- Bank details requirements not provided by policyholder/insured/beneficiary
- KYC of beneficiary not being provided
- Difficulty in identifying the beneficiary under a policy

Process to get unclaimed money
The beneficiary under the policy may contact the nearest office of the insurer or customer care number, with policy details and KYC. Once the identity of the beneficiary is validated, the unclaimed amounts with applicable interest on unclaimed money shall be paid to the beneficiary.

Insurance companies are engaging with various service providers who can help identify the coordinates of beneficiaries which may be different from the one provided at the time of buying the policy. Insurers are now asking alternate contact numbers, mailing and permanent address at the time of buying policy or at the time of claim intimation to ensure accuracy of latest coordinates of customers in their records.

Companies are also advising policyholder to update their contact number and address, as and when there is change in address. Insurers send maturity details by SMS alerts or email or any other mode as may be specified by the regulator.

Obligations of insurers
Insurers cannot appropriate or write back any part of the unclaimed amounts belonging to policyholders/ beneficiaries. The Policyholder Protection Committee of the board of every insurer oversees the timely payout of the dues to policyholders. Policyholders Protection Committee shall review the steps taken by the insurer to reduce unclaimed amount by identifying the policyholders or beneficiaries, creating awareness, etc., in terms of the standard procedures and policy on customer service approved by the board.

Every insurer is required to furnish the details of the action taken and status of the unclaimed amount to the authority. All insurers are required to display the information about unclaimed amount on their respective websites. The information regarding unclaimed amounts needs to be updated by the insurers on their respective websites on half-yearly basis.

Treatment of unclaimed money
The unclaimed money is invested by the insurer and the investment income would be credited to the respective unclaimed account, after deduction of 50 basis points as administration and fund management charges. Unclaimed amounts of policyholders for a period of more than 10 years is required to be transferred to the Senior Citizens' Welfare Fund (SCWF).

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Source

How to buy life insurance under the Married Women's Property Act - The Economic Times – 17th December 2018

The Married Women's Property Act, 1874 protects the property of a wife if the proceeds of her husband's life insurance policy is attached to pay for outstanding loans in the event of his death or bankruptcy.

Types of policies
Life insurance policies of any kind, term insurance, endowment policy or unit linked pension plans can be bought with a MWP addendum to take benefit of the said legislation.

Conditions
The policy can be bought only by a married man who is an Indian citizen. The beneficiaries of the policy must be his wife and/or children. Even a divorcee or a widower can buy an insurance policy with an MWP addendum. A married woman can also buy such a policy with her children as beneficiaries.

Process
While applying for the insurance policy, the proposer must fill up a MWP addendum. All details in the form must be filled and signed by the proposer in presence of a witness. Beneficiary details must be provided in the form, with an option to assign specific percentage share to each beneficiary (wife and/or children). Beneficiary details cannot be changed later.

There is also a provision to appoint a trustee in the MWP addendum. The trustee receives policy proceeds and can utilise them for the benefit of the beneficiaries. Thus, there is no need to create a trust for the benefit of the wife and children under the Indian Trusts Act.

Surrender of policy
In case a cash value policy is surrendered, the proceeds will go to the beneficiaries. If the policyholder survives the term, the maturity proceeds would still go to beneficiaries. On death of the policyholder, proceeds will go to listed beneficiaries. It cannot be attached as property of deceased policyholder.

Point to note
Policy with the MWP addendum can be made in favour of married women of all religions.

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Source

GENERAL INSURANCE

What is cyber insurance and why you need it; Here's all you need to know - Financial Chronicle – 19th December 2018

With the higher use of digital platforms, cybercrime is growing at an increasing rate. According to experts, the domestic cyber insurance market is slowly gaining traction, with India bracketed alongside the US and China as among the world's most cyber attack-prone countries. A recent joint study by Marsh-RIMS states that large-scale cyber-attacks, and massive incidents of data theft are some of the top risks in India. These findings represent the increased risk posed to valuable digital assets by cybercriminals, and subsequently the increasing need for cyber insurance.

Owing to that insurance companies have come up with cyber protection for individuals. For instance, Bajaj Allianz General Insurance cyber policy protects individuals from cyber risks, covering up to 11 types of cyber risks which include identity theft, malware attack, IT theft loss, phishing, e-mail spoofing, cyber extortion, and cyberstalking.

Sasikumar Adidamu, chief technical officer, Bajaj Allianz General Insurance, says, "The need for insurance product is felt only after people fall prey to such incidents and losses, but recent malware attacks have alarmed customers about the extent to which cyber risks can grow." Generally, people do not realize the magnitude of the cyber fraud problem. These types of insurance covers do not prevent such incidents from happening. However, they reduce the financial impact caused out of such risks."

What is covered?
These policies are designed to cover expenses related to post factor actions of a cyber-attack. Such as, the cost incurred during the prosecution process and defense costs are paid by the insurance company relating to the types of cyber risks mentioned in the documentation of the policy. Other costs such as financial losses, online loss of money suffered by the policyholder due to cyber-attacks are also covered in the policy up to the sum assured as mentioned in the policy. Experts believe, these kinds of policies will surely assist a lot, as India is rapidly moving towards digitization and the use of net banking and several other online transaction systems have also increased a lot. Expenses incurred for counseling treatments post a cyber-attack is also paid for including damages against third party liabilities and restoration costs. It also takes care of consultant fees, court expenses, and legal fees concerning the cyber-attack.

What is not covered?
If the attack was intentionally and deliberately done, the policy will not pay any claim. Insurers do not cover any fraudulent, dishonest or malicious act. These policies do not provide any cover for any prior actions of the attack that the policyholder has faced before buying the policy; nor do they cover for personal data or lost pictures in the policy. The insurers also take measures to avoid any cyber-attack to their customers by prompting for backing up their data, updating anti-virus and having a proper set of

passwords. If such measures are not taken properly, in case of a cyber-attack, your claim can be jeopardized.

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EY to advise on merger of 3 PSU general insurers - Financial Chronicle – 17th December 2018

Management consultancy firm Ernst & Young (EY) has been shortlisted to advise on the proposed merger of three public sector general insurers as announced in this year's budget. The government has proposed to merge three public sector general insurance companies — National Insurance Company, Oriental Insurance Company and United India Insurance Company.

Based on the bid floated in June, the firms zeroed in on EY as the consultant to advise on the consolidation process, sources said. As on March 31, 2017, the three companies together had more than 200 insurance products with a total premium of Rs 41,461 crore and a market share of around 35 per cent. Their combined net worth is Rs 9,243 crore with total employee strength of around 44,000 spread over 6,000 offices.

The consultant is expected to advise on organisational restructuring, rationalisation of human resources, management of operational issues, regulatory and compliance issues. It is also expected to handhold the management of the three companies, throughout the merger process till the new organisation is formed and set in place.

Source

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Stressed PSU General Insurers may face PCA-like restrictions - The Economic Times – 15th December 2018

The government is reassessing capital needs of state-run general insurance companies in view of mounting losses, and considering if a kind of prompt corrective action (PCA) along lines of that for weak banks is needed for insurers as well.

Initial estimates suggest that capital infusion of about Rs 8,000 crore may be required. "The idea is at a very preliminary stage. It cannot be only for public-sector insurers," said the above quoted official, adding that the rising loses of general insurers may require such restrictions.

Under the PCA framework, banks face restrictions on lending among other constraints till they regain health. "Most public sector firms are bleeding on their health portfolio," said the official, adding that the government want insurers to focus on a six-point agenda which include sustainable and prudent business, talent management and customer orientation.

India's largest general insurer New India's underwriting losses stood at Rs 1,228.66 crore for Q2 compared with Rs 626.94 crore in the year-ago period. According to IRDAI's annual report of 2016-17, underwriting losses of staterun general insurance firms grew 43.89% to Rs 15,591crore from Rs 10,835 crore the previous year.

Insurers themselves feel the need to take corrective action in view of losses to maintain solvency levels, which refer to excess of assets over liabilities.

The Insurance Regulatory and Development Authority of India (IRDAI) has prescribed that all insurance companies maintain a surplus of 1.5 times the liabilities at all times. United India and National Insurance at present fall short of the regulatory requirements.

“Some insurers have themselves taken a measured approach towards growth, improve the quality of business and consolidate financial strength,” said chairman of state-run insurance firm.

A lack of capital could undermine the goal to increase insurance penetration, which stands at very low levels for general and life insurance companies.

TOP

Source

HEALTH INSURANCE

Action against 68 apps, 54 websites for false info on Ayushman Bharat healthcare scheme - The Economic Times – 15th December 2018

The health ministry has identified 68 "fake" mobile applications and 54 websites spreading false news about the government's flagship healthcare scheme Ayushman Bharat and has lodged FIR against their owners.

"Consequently, 62 out of 68 fake mobile applications have been closed and 23 out of 54 fake websites have been either blocked or shut down," Minister of State for Health, Anupriya Patel told Lok Sabha on Friday while replying to queries on the issue.

She said that the fake entities trying to spread misinformation about Ayushman Bharat- Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) are being proactively monitored.

"So far a list of 68 fake mobile applications and 54 websites on internet spreading false news about PMJAY has been compiled," Patel said. "Filed an FIR against such entities," she added.

Patel said that the government has also issued public advisory on the official website to inform citizens about such fake entities and their list has been shared with authorities concerned including chief information security officer of India, Ministry of Home Affairs and Ministry of Electronics and Information Technology, requesting them to take necessary action against these entities.

Responding to a question, Patel said that some private health care providers have requested to increase the package rates. States have the flexibility to decrease the rates or increase up to 10 per cent or adopt rates as per the existing state scheme depending on their suitability.

She also informed that 33 states and UTs have signed the MOUs for implementing the scheme. Odisha, Telangana and Delhi are yet to adopt the scheme.

Patel informed that around 7.64 crore beneficiaries have availed the scheme till December 10 and Rs 817.73 crore have been released to the states and UTs.

As on December 11, the total number of hospital admissions were 4,92,073. The minister said that PMJAY is still in its implementation stage and at present its benefit packages do not cover AYUSH system of Medicine.

TOP

Source

CROP INSURANCE

Officials discuss modes to cut cost in PM crop insurance scheme – The Times of India – 17th December 2018

Amid concerns that insurance companies have been profiting out of the Pradhan Mantri Fasal Bima Yojana, a meeting was held last week to discuss proposals on cutting down the premium outgo from the government's side. Under the crop insurance scheme launched during BJP regime, a farmer has to pay premium ranging from 1% to 5% depending on the crop while rest of the cost is borne by the central and the state governments on equal basis.

Sources said that voices have been raised that the scheme has only left the insurance companies enriched due to assured payment of premium from government. The insurance has been also made mandatory for farmers going from yearly crop loans through banking system. This assures premium receipts to the companies empanelled under the scheme.

The meeting had senior officials from states like Maharashtra Gujarat, Karnataka and Rajasthan. Sources said it came up during the discussions that the risk cover to be offered by insurance companies can be reduced, so that the premium also comes down.

As against a risk cover of 3.5 times of the premium, it can be reduced to 1.5 to 1.2 times. This will reduce the premium to be paid. However, to maintain the cover at the same level, it was mooted that government will separately maintain a corpus out of the money saved from the premium outgo. The funds will be used to compensate farmers in case of losses.

"It has been also mooted to no longer make it mandatory for farmers taking crop loans from banks to get the insurance cover as well. This will also reduce the premium burden on the government," said a source.

At present, majority of farmers throughout the country depend on crop loans to take up the sowing expenses each season. If they want a loan, they have to go for the insurance also.

A source said, there are certain assured pockets where crop failures are rare. "Even such farmers have to get an insurance cover if they go for a loan. This leads to farmers in such pockets indirectly pay for those in loss prone areas, he said.

There are pockets in many states which are generally prone to droughts or floods from where the claims are higher. At the same time, there are areas where agriculture is relatively profitable yet farmers in such belts have to end up getting insurance cover along with loan. The premium paid on their behalf goes into doling out compensation in loss prone areas.

One of the suggestions was to reduce the number of years to be taken into account for setting the benchmark for output and measure the losses. At present, an average of last five years is considered to judge the fall in output. "It has been suggested that the span can be reduced to get a realistic picture," a source said.

Kishore Tiwari, a farm activist and chairman of Vasantrao Naik Shetkari Swavalmban Mission (VNSSM), said, "Farmers are not keen to go for insurance. If it is not made mandatory along with loans, the number would drop."

The scheme itself needs to be revamped. The compensation has to be decided on losses at individual farm level and not at block level as it is under the present scheme.

TOP

Source

MOTOR INSURANCE

Motor insurance: Have two cars? Take a standalone personal accident cover of Rs 15 lakh – Financial Express – 19th December 2018

If a vehicle owner has a general personal accident cover, then it is no longer mandatory to buy another cover along with a vehicle insurance. The insurance regulator has relaxed its directive issued on September 20, 2018 for the compulsory personal accident (CPA) cover for owner-driver under motor insurance policies. If a customer has two cars, then he can take a standalone personal accident cover and need not take CPA for either of the cars. At present, customers are supposed to take CPA for both cars. In this case, a customer can save Rs 750.

No bundled cover

Owner-drivers can now buy one personal accident insurance for multiple vehicles owned by him. The duration of the standalone CPA cover will be for one year. "Effective January 1, 2019, standalone compulsory personal accident cover for owner-driver may be issued. Keeping in view the date of implementation, as an interim measure, insurers may price the product in accordance with their general pricing philosoply, based on actuarial principles for the risk in question," underlines the Insurance Regulatory and Development Authority of India's circular.

From January 1, on expiry of a bundled CPA cover, it will have to be replaced with a standalone CPA and then it can be taken from any registered insurer transacting general insurance business. The coverage under the standalone CPA will extend to all the vehicles owned by the owner-driver under the same policy. The standaone CPA cover will be valid when the owner-driver drives any of the vehicles owned by him.

The regulator's circular says that as a general personal accident cover also includes cover against motor accidents, if an owner-driver already has a 24-hour personal accident cover against death and permanent disability (total and partial) for capital sum insured (CSI) of at least `15 lakh, there is no need for a separate CPA cover to be taken.

Cover for owner-driver

The insurance regulator has directed all general insurance companies to raise the compulsory personal accident cover for owner-driver to `15 lakh. The premium for all classes of vehicles for this cover was fixed at `750 per annum for annual policy. In order to reduce the number of uninsured vehicles on the road, the regulator has also mandated that buyers of new cars and two-wheelers will now have to mandatorily purchase third-party insurance cover upfront for at least three and five years, respectively. Long-term third-party insurance will reduce the hassles of renewing the policy every year and an increase in the number of insured vehicles could bring down the premium as the risk pool becomes larger. It will also ensure that the policyholder has some stability in rates for a defined period. These two directives increased the cost of insurance.

The insurance issued the September directive comes after a Madras High Court judgment in October last year which ordered Irdai to enhance the compulsory personal accident cover from the existing `1 lakh to at least not less than `15 lakh to "add to some succor or solace to the victims of road accidents, who are the owner of the vehicle, who may incidentally sustain bodily injury or death". The court also ordered that an option can be given to the insured/owner of the vehicle to pay higher premium amount to get enhanced compensation over and above `15 lakh in case the owner of vehicle desires such enhanced compensation.

The owner of the insured vehicle holding a valid driving licence is termed as owner-driver. The cover is provided to the owner-driver whilst driving the vehicle including mounting into or dismounting from or traveling in the insured vehicle as a co-driver. Earlier, CSI for motorised two-wheelers and private cars/commercial vehicles is `1 lakh and `2 lakh, respectively.

Animesh Das, head of product strategy, Acko General Insurance, says at present an individual vehicle owner has to buy a CPA cover of `15 lakh for `750 with his vehicle insurance. This has to be mandatorily taken with every vehicle insurance policy. "In case where a customer has multiple vehicles, he may end-up buying CPA cover for more than one vehicle, which is unnecessary. The Irdai has come up with a solution and introduced standalone PA cover where a single PA cover can be taken for multiple vehicles. With the introduction of this option, customers will be able to save the additional `750 per vehicle," he says.

Source

TOP

REINSURANCE

New reinsurance regulations credit-positive, says Moody's - The Hindu Business Line – 19th December 2018

Moody's Investors Service, on Wednesday, said the new regulations for re-insurance in India are credit-positive. "They will improve Indian insurers' access to a broader reinsurance base, which will support their management of underwriting risk and performance," it said.

The Insurance Regulatory and Development Authority of India (IRDAI) recently notified new norms under which the reinsurer General Insurance Corporation (GIC) will continue to have the first right of refusal. But in a break from the past, it will be required to simultaneously seek terms from at least four foreign reinsurance branches, allowing non-Indian reinsurers to compete for business on equal terms with Indian reinsurers.

This is a change from the earlier norms where Indian reinsurers have the first preference and right of refusal. Non-domestic reinsurers are offered business only if Indian reinsurers refuse the business.

"IRDAI's new reinsurance regulations are another step to liberalise the reinsurance market, and were preceded by admitting foreign-based reinsurers to India's market," said Moody's, adding that it will provide local insurers broader access to foreign reinsurers and encourage them to sharpen their use of reinsurance as a risk management tool to reduce P&L and balance sheet volatility.

It noted that new reinsurers may be selective in writing business with local primary insurers. But primary insurers that are able to partner with them will add sophistication to their underwriting and enhance their underwriting skills.

"This credit-positive development is timely, since it will allow Indian insurers to reap greater benefits from India's strong economic expansion and will increase the take-up of insurance, which is set to benefit from the September 2018 launch of universal health coverage," added Moody's.

India's reinsurance market, according to industry estimates, is worth Rs. 45,000 crore to Rs. 50,000 crore.

Source

TOP

OPINION

Insurer, insured need to be major contributors to the economy – Financial Express – 21st December 2018

The inherent orthodoxy of the insurance industry has impacted the existing and the prospective customers in a manner that large-scale conservatism has been the most prominent phenomenon in all insurance transactions in the country.

First, almost nobody is seen initiating a process on his part to acquire insurance protection; and except a very few most of the prospective customers avoid drawing their own road map for buying insurance protection and services.

The insurance providers have failed to match their innovations with the technology introduced in the financial services market for achieving a total paradigm shift. Similarly, customers who are tech-savvy also look forward to somebody visiting them and helping them to decide on buying an insurance policy either for themselves or for their property.

This expectation puts a cap on the thinking ability of the prospective customer. This attitude naturally creates a very strong barrier between the insurer and the insured. The prospective customer stops to think and plan about the insurance needed.

Industry not growing much

The conservatism of the industry has therefore been a major reason for the industry not to grow as much as it should have. The growth in insurance business anywhere must be higher than the growth in the gross domestic product of a country. When the economy grows, the uncertainty about property, life and health also grow. But unfortunately, the insurance industry around the world remains stuck to a mediocre performance level and is therefore hardly a significant contributor to the GDP of a country. Usually, industry leaders and regulators focus on refining the traditional mode of distribution and of rendering service to customers.

They have adopted technology to introduce accuracy and speed in the existing tools and methods of delivering products and services. There is hardly any distinct initiative on the part of any company in India for making insurance a part of the day-to-day life of an individual engaged in any vocation or even staying at home for supporting various economic activities informally.

Variety of risks

The moment one is born in this world or a product is sold to a customer for any kind of service or value, both the entities get exposed to variety of risks affecting the intrinsic value of the products and the natural ability of a person to create value for himself or others. A product can break, suddenly stop working, may get stolen or may lose its utility value due to a variety of adverse forces including natural calamity. Similarly, a person is exposed to various adverse forces influencing people, environment or society.

His ability to provide for himself and for his dependants maybe severely curtailed by factors such as sickness, accident or even death. But to think about these three factors alone is again a kind of conservatism.

The individual's ability to earn and to contribute to the family and the society is equally affected by risks such as legal and third-party liabilities, risk to property due to natural calamities, currently aggravated by environmental issues and cyber risks in respect of one's daily transactions on the net. In fact, the risk on one's life has majorly shifted from death to financial and physical disability with long-term care staring at senior citizens as the greatest protection requirement.

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(The writer, Mr Kamaji Sahay is former MD & CEO, SUD Life and former ED, LIC of India)

Source

TOP

Why Ulips are useless as insurance products: View - The Economic Times – 17th December 2018

If you take the Ulips route to get yourself adequate insurance, then you could end up using most—or even all—of your income. Of course, I use the word 'insurance' to mean what it should—money that your family will get if you die.

As a general rule, any earning person should be insured for at least 10 years' income. However, life cover in Ulips, almost universally, is exactly 10 times the annual premium. Therefore, to get life cover equal to 10 times your annual income, you will have to shell out ALL your income as premium. The maths is unshakeable.

No matter what the salespeople say, anyone who has a family should not put even a paisa in Ulips (or any other investment) before they buy 10 times their income worth of life cover policy using pure term insurance. Once you have made your family's future secure with 10 times your annual income, tackle investment as a separate and different kind of problem.

Let me explain the numbers in a little more detail. Let us suppose your post-tax, in-hand income is Rs 10 lakh a year. Then you should have a life cover of at least Rs 1 crore. If you think about what all your family will have to spend on if you die suddenly, then you will find this 10 times amount is barely adequate.

Most families will actually need more. If you do not believe me, make an actual multi-year budget. The good news (for you) is that such insurance is quite reasonably priced if you buy it through term insurance products. The bad news (for Ulip salesmen) is that buying a life cover of Rs 1 crore in the form of Ulips will require an annual premium of Rs 10 lakh. But how can you pay Rs 10 lakh? That's your total income!

If you actually discuss all this with an insurance salesperson, they will tell you that Ulips also have investment bundled with insurance. While that is true in theory, in practice, any sensible saver should first get adequate life cover. If you do that, you will find that the only insurance product that fits the bill is pure term insurance. Once you have done the insurance part, then you can evaluate a wide variety of investment options in a better way.

Why is that a better way? That is because any investment should be evaluated on parameters like liquidity, volatility, safety, transparency, returns and suitability for different time frames. The same saver has different needs for different kinds of savings and at different points in time. Sometimes, as circumstances change, you may want to move some money from one kind of investment to another.

For example, from a volatile but high returns type to a safe and steady one. At some point, one could have a professional crisis or a job loss and may need to stop investing for a year or two. These are real issues that affect almost everyone at some point. Does a Ulip, a single, inflexible product that bundles insurance and investment into a long-term commitment, serve your purpose? That's a question you must ask.

Another question that every saver should be asking is why are Ulips limited to offering cover worth 10 times the annual premium? The answer gives you an insight into the anti-saver thinking that permeates the Indian insurance industry. The insurance regulator, Irdai, has mandated 10 times the annual premium as the minimum life cover that Ulips must provide. However, in the actual products that are offered, the industry only offers this minimum. Why? It is because they are actually not interested in the life cover business.

The money lies in running the investment business, and so we have in this country an 'insurance' industry that always designs products that only have the bare minimum insurance! Does that make sense? Well, actually, it makes perfect sense for the insurance companies and their agents. Whether it makes sense for you, the saver, is something you have to think about.

(***The author is CEO, Value Research)***

TOP

Source

INSURANCE CASES

For insurance claim, reveal ailment before policy is issued – The Times of India – 20th December 2018

The state consumer commission has clarified that a person who takes an insurance policy must inform the company of any health issues that crop up right from the date she hands in a filled-out proposal form till the policy is issued.

The commission recently dismissed a complaint a Mulund-based man had filed against an insurance company when it rejected the Rs 5 lakh life cover claim after his wife's death from cancer in 2013. The insurer said the woman had suppressed crucial information about the illness when she submitted the proposal form, but her husband contended that she was diagnosed only after the policy proposal was submitted.

The commission, though, pointed out that the policy was issued only a week later and it was incumbent upon the woman to inform the insurance company about the cancer during the intervening week.

"Although the wife of the complainant learnt on July 22, 2011, that she was suffering from cancer of the oesophagus, she had not informed this fact to the insurance company till issuance of the insurance policy in her favour (July 30, 2011). Under such circumstances, we are of the opinion that the wife of the complainant had suppressed material facts in respect of her health before the insurance company had issued insurance policy in her favour," said the state commission.

The complainant had moved the Maharashtra State Consumer Disputes Redressal Commission in 2016 after a district forum rejected his plea against Life Insurance Corporation of India.

The commission said the forum had rightly considered the facts and reached the conclusion that the insurance company had rightly repudiated the claim.

In his appeal, the man had told the commission that his wife had taken two policies of Rs 2.5 lakh each. He said his wife had submitted the proposal form on July 20, 2011. He further said that two days later, his wife was admitted to a hospital where she was diagnosed with cancer. She died on March 16, 2013. The man then submitted his claim to the insurance company but it was repudiated. He moved the district forum in 2015.

After going through the relevant documents, the state consumer commission found that the woman had signed the policy proposal form only on July 22, 2011, the same day she was admitted to the hospital and her cancer diagnosed.

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Source

Insurer to pay Rs 49 lakh to accident victim's kin – The Times of India – 18th December 2018

The Motor Accidents Claim Tribunal (MACT) has awarded a compensation of Rs 48.86 lakh to the family of a 32-year old paint contractor, who was killed after the two wheeler he was riding was hit by a rashly driven car in 2017.

As per the claim application, the incident took place on the night of October 7, 2017, when Sanjay Goswami was returning to home at Kajheri village along with his friend Dharminder Paswan.

At about 12.20 am when they reached Kumbra Chowk, a car (CH03-H-8747) driven by Pushkar Singh Fartyal of Mohali crossed the vehicle being driven by the deceased in a dangerous manner and at high speed.

As a result, the two wheeler rammed footpath and both occupants fell on the road. Goswami sustained serious head injuries and was taken to civil hospital in Phase VI, Mohali, where he was declared brought dead. Paswan sustained minor injuries in the incident.

Following the accident, deceased's family moved an application for compensation of Rs 70 lakh in the MACT. The application was moved by Goswami's wife Anshu Devi and three minor children Ayush, Ansh and Arushi.

It was stated in the application that the deceased was working as a paint contractor and earned around Rs 45,000 per month.

After hearing the arguments, facts in the case and plea of the victim's family, the tribunal granted compensation of Rs 48,86,130 to the legal claimants of the deceased with directions to National Insurance Company Limited and the driver and present owner of car to pay the compensation jointly.

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PENSION

Maharashtra to revise pension of retired govt employees – Mint – 20th December 2018

The Maharashtra government has decided to revise the pension and family pension of former government employees, who retired between January 2006 and 2009, state Finance Minister Sudhir Mungantiwar said on Wednesday.

The pension amount would be revised as per the Sixth Pay Commission's recommendations, he said, adding that the aim of the move was to improve the life of the retired employees.

The minister was speaking during the cabinet sub-committee meeting chaired by him at Mantralaya.

Minister of State for Finance Deepak Kesarkar, Upper Chief Secretary to Finance Department U P S Madan, Secretary of Finance Department Nitin Gadre and other officials were present at the meeting.

"With this decision, the government will have to bear a financial burden of Rs 2,204 crore due to the arrears. The implementation of this decision will require an additional funds of Rs 319 crore annually," he said.

Mungantiwar said the decision will benefit more than one lakh pensioners/family pensioners.

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Source

Provident Fund alert! EPF withdrawal before retirement capped at 75% - Financial Express – 19th December 2018

A jobless Employees' Provident Fund (EPF) subscriber who hasn't crossed the retirement age (60 years) will now be able to withdraw only up to 75% of the accumulated EPF deposits, as against 100% earlier.

A month without a job will make a subscriber eligible to withdraw the deposits. Earlier, pre-retirement withdrawal of EPF funds required the subscriber to be without job for a continuous period of two months.

"The commissioner or, where so authorised by the commissioner, any other officer subordinate to him, may permit a member, on ceasing to be an employee in any factory to establishment to which the Act applies, a non-refundable advance upto 75% of amount standing to his credit in the fund, if he has been employed in any factory or other establishment for a continuos period of not less than one month," said the Employees' Provident Funds (Amendment) Scheme, 2018, notified on December 6.

Employees' Provident Fund Organisation (EPFO) manages social security funds of workers in the organised and semi- organised sectors. The retirement fund has more than six crore active members who have contributed at least in one month during the year.

While an employee, earning upto `15,000 a month, contributes 12% of the basic pay to EPF, the employer contributes 8.33% towards employees' pension scheme and 3.67% to the EPF. Additionally, the employer also pay 0.5% towards Employees' Deposit-linked Insurance (EDLI) Scheme, 0.65% as EPF ACs and 0.01% as EDLI handling fee, taking the total contribution to 13.61%.

Labour ministry sources said the decision to cap the withdrawal was taken after it was found that a large numbers of final withdrawal claims were filed by the members even before the attaining the age of retirement.

"Such withdrawal ends the membership of the person early and thus affects the social security of the members and his family. Out of these cases, early final settlements, many cases are due to non-employment of member for more than two months," said a source.

EPF scheme does not have provision for advance to members during such kind of non-employment and the scheme allows only full and final settlement. This compels members to withdraw entire amount at the cost of their social security. The labour ministry said that there was a need to provide a social security cover during the period of non-employment as well.

Source

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IRDAI CIRCULAR

Updated list of non-life insurers is available on IRDAI website.

Source

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GLOBAL NEWS

Australia: Insurers seek to limit exposure in northern region – Asia Insurance review

The insurance market in Northern Australia exhibits an unusual competitive dynamic: insurers are not actively trying to win market share in some high risk areas in the region, but are instead seeking to deter customers and limit their exposure by raising premiums, leading to soft competition, according to a report by the Australian Competition and Consumer Commission (ACCC). Markets at the regional level were also found to be highly concentrated.

The ACCC's analysis shows that insurance premiums are not only considerably higher in northern Australia, but they have also risen at a faster rate: shooting up 130% in real terms between 2008 and 2018, compared to an average 50% rise in the rest of the country.

Extreme weather in northern Australia, and the cost of servicing this area, are partly to blame for the high premiums that many consumers are facing. But other factors have contributed, including moves by insurers to assess risk and set premiums at an individual address level, rather than pool risks across regions, says the ACCC in its Northern Australia Insurance Inquiry first interim report, released yesterday.

Conflicts of interest in the market were common and significant, the interim report found. Most insurance brokers received payments from insurers, and commission rates of 15-20% of base premiums paid were common.

Losses
The ACCC did not find evidence that insurers were making high or excessive profits in northern Australia, or that they were using profits in northern Australia to subsidise premiums in other parts of the country. Rather, high claims and costs have resulted in the majority of insurers operating at a loss in northern Australia during the past decade, while those that were profitable had lower returns than in the rest of the country.

The report makes 15 recommendations the ACCC says should be immediately adopted to improve northern Australian insurance markets, including abolishing stamp duty on insurance products, banning commissions for insurance brokers, making products more comparable and applying unfair contract terms protections to insurance products.

The ACCC has made a further 13 draft recommendations it is seeking feedback on, including the establishment of a national insurance comparison website, restricting commission payments by insurers and intermediaries to strata managers, and the need for insurers to clearly state what discounts customers can get if they modify their home to mitigate their risks.

ACCC deputy chair Ms Delia Rickard said, “Consumers reported that products were complex and hard to compare, and that they didn’t understand how insurers were setting premiums and why they were rising.”

“Consumers also told us of long delays and unsatisfactory experiences when they made claims on their policies, experiences that clearly added to the stress of their situations.”

Ms Rickard said, “In this report, we have proposed a range of measures that could start to bring improvements to insurance markets, not only in northern regions, but also nationally if adopted more broadly.”

“However, it will still leave underlying affordability issues for some individuals that are so sharp that a stronger public policy response may be needed. Reviewing possible further policy options to improve insurance affordability will be the primary focus of the next stage of our inquiry,” Ms Rickard said.

In July 2017, the ACCC commenced its inquiry into the supply of residential (home), contents and strata insurance in northern Australia, following direction from the Australian government. A second interim report is due to the Treasurer by 30 November 2019 and a final report by 30 November 2020.

Recommendations
The recommendations set out in ACCC's interim report are:
1: Abolish stamp duty on home, contents and strata insurance products
2: Re-base stamp duty, use stamp duty revenue and mitigation
3: Insurers to report their brands to ASIC and where they are writing new business
4: Standardise definitions of prescribed events
5: Review and mandate standard cover
6. Unfair contract term protections should apply to insurance

7: A link to MoneySmart should be on new quotes and renewal notices
8: Better understand information that falls within ‘general financial advice’
9: Disclose costs that count towards ‘sum insured’
10: Disclose the premium, sum insured and excess on a renewal notice
11: Extend the ban on conflicted remuneration to insurance brokers
12: Better information for consumers lodging a claim
13: ASIC approval for the General Insurance Code of Practice
14: Public mitigation works and expected premium reductions
15: Building code changes to better protect interiors and contents.

TOP

Source

Australia: Mortality rates affect voluntary buying of retirement products – Asia Insurance Review

People who know they will live longer are more likely to acquire annuities, according to a study by actuaries who calculated mortality rates among Australians who use annuities.

The study suggests that allowance be made for future improvements in mortality rates when it comes to pricing comprehensive income products for retirement.

The Actuaries Institute and Rice Warner used UK mortality data on annuitants to calculate similar rates for the Australian population, in research funded by David Orford, an actuary and managing director of Optimum Pensions. They hope the research will help develop retirement income products.
The Institute has released a report titled “*Exploring Retiree Mortality*” and, based on the study, said, "Typically, those who choose to invest in pooled retirement income products have longer life expectancies (lower mortality rates) because those in poor health do not purchase a product that could see them lose their capital on death."

"Longevity can also impact perceptions of value-for-money as longer life expectancies increase the price (reduce the return) of the products. This will be a particular issue for women who have longer life expectancies than men."

The researchers found a shortage of Australian data covering retirement income products because of a historic focus on products such as account-based pensions, where there is no longevity protection. The data have limitations and are indicative only and can't be relied upon pricing or valuation of retirement income products, the paper says.

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