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QUOTE OF THE WEEK

“If you want to succeed you should strike out on new paths, rather than travel the worn paths of accepted success.”

John D. Rockefeller

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INSURANCE TERM FOR THE WEEK

Family floater

The concept of family floater is common in health insurance. As the name suggests, a family floater plan is one where the entire family of an individual — with spouse and children — is covered. Many insurance companies today have provisions to cover dependent parents, siblings and parents-in-law too through a floater cover.

A family floater plan comes with a list of benefits and exclusions. It is easier to add your immediate family (spouse or new-borns) anytime. Some insurers offer discounts for purchasing floater covers.

Note that, the insurance premium on a floater policy is calculated based on the age of the eldest member in a family. Therefore, younger the family, lower the premium outgo. On the downside, if one member of the family makes a claim against the floater cover in a policy year, the sum insured reduces by that much on the entire family for the remaining policy year. So, if any other family member makes a claim, the cover would be thinned out to that extent.

Source

INSURANCE INDUSTRY

Steps that will make your insurance claim hassle-free - Financial Express - 15th April 2019



The insurance regulator is making the claims process much more transparent and efficient. For one, it has issued a circular asking insurers to inform claim settlement status to policyholders at various stages of processing from July. Second, it is considering giving policy holders an option to receive payment of claims in installments under certain policies such as personal accident and benefit-based health insurance covers.

For any insurer, prompt claims settlement is the real test of efficiency. A higher percentage of claims settled is a clear indication of a strong system for claim settlement that the

insurance company has put in place. The death claims settlement was 94% in FY18 compared with 91.6% in FY17, according to data from Ordain.

Tracking mechanism

The regulator has urged insurers to put in place a tracking mechanism so that policyholders are able to know the status of their claims at various stages of processing. In case of health insurance, where third-party administrator are engaged for rendering claims services, insurers have to ensure that status of claim is notified to the claimant at every stage of claim.

Soon after the policyholder intimates the claim, a unique claims reference number has to be created and notified electronically to the registered mobile number and/ or e-mail id of the policyholder/ claimant. "At every stage of the claim processing such as calling for further requirements, or arranging for survey, communication of the final decision i.e., admission or rejection or repudiation of claim, payment details such as by cheque or bank credit, etc., timely notifications shall be sent to policyholder or claimant," says the Insurance Regulatory and Development Authority of India (Irdai) circular.

The notification sent to the policyholder/claimant containing the unique claims reference number will enable tracking the claims status by the policyholders through the portal, website or apps of the insurer. Moreover, insurers should collect the mobile numbers and the e-mail ids of the policyholders both at the point of sale and also on an ongoing basis as part of policy servicing. However, providing mobile number and e-mail ids by a policyholder is voluntary. Consent of the policyholders will have to be taken for notifying the services rendered by the insurers and no other unsolicited information shall be sent to the policyholders.

The regulator has also underlined that insurers will send brief messages for the purpose of enhancing insurance awareness apart from sending necessary caution messages such as not to fall prey to spurious calls/offers. Also, the communication should be simple and easy to read and understand and wherever feasible, should be printed in regional or local language of the place of residence of the policyholder / claimant, besides English/Hindi.

Claims payment in installments

Policyholders may also get an option to receive payment of claims in installments under certain personal accident covers or benefit-based health insurance covers as Irdai had set up a working group in 2018 and have sought comments from stakeholders on the draft guidelines.

The draft guidelines said the policyholders will be provided option to choose either settlement of claim in lump sum or in installments. It allows them to switch from lump sum to installments and vice-versa at any time from policy inception until the point of claim for any number of times he wishes. If the draft guidelines are implemented, then claimants can get a regular source of income for some time. It will give them the freedom to choose how they would like to get the sum assured. There will be no change on the premium front for choosing either lump sum or installment options.

(The writer is Saikat Neogi.)

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Source

Go paperless with electronic insurance policies - Telangana Today - 14th April 2019



It is not uncommon to have multiple insurance policies these days. While they are needed for the protection they give, managing them for renewals and claims is not an easy task, particularly if they are from different insurers.

However, there is help at hand to deal with these in the form of electronic insurance account (e-IA). e-IA is to insurance as demat is to investments. Also, it cuts down the need for submitting KYC documents multiple times. And lastly, it comes handy in settlement of claims.

According to Vaidyanathan Ramani, Head- Product and Innovation, Policybazaar.com, e-IA eradicates the hassle of maintaining physical documents for insurance policies. There is no fear of losing the document as they are held by the repositories.

There are four listed insurance repositories in India which are licensed by IRDAI for maintaining insurance policies electronically. These are CAMS Repository Services, Central Insurance Repository, Karvy Insurance Repository and NSDL Database Management.

A policyholder can open an e-IA with any of these repositories to maintain their insurance policies electronically. Only one e-IA is allowed per person and older physical policies can also be converted into electronic policies. All repositories have a system in place to check the duplicity of the account. For example, if a person has an account with one insurance repository, then a request or application for the second account with another repository will be rejected and all insurance policies of the insurer will be credited or held under one e-IA, says Ramani.

Benefits of electronic policies

Safety

Having policy online will keep it secured from theft and loss. Having an e-insurance policy saves you from the unnecessary paperwork. One can keep all policies including life, pension, general or health insurance policies, even from multiple insurers, in the same account.

Convenience

One can access the policies anytime, anywhere. Also, you have all your policies in one place. If there are any changes in contact details, they get updated in all policies across all insurers.

One time KYC

Once an e-insurance account number is in place, there will not be any requirement of submitting the KYC forms every time you buy a new policy.

Ease of Payment

Having an e-IA will facilitate ease of transactions online while making a payment for the insurance you buy.

Opening an e-IA is a simple exercise. Select the repository you want to be part of. Download the E-Insurance Account form, fill it and attach self-attested copies of KYC documents and submit them to the repository. A unique login ID and password is provided to every account holder to provide access to their e-insurance accounts.

Documents needed

Fill the form and attach self attested copy of PAN or UID card, address proof, DOB proof and a cancelled cheque.

Authorised Representative

A policy holder who opens an e-IA can appoint an authorised representative (AR) to access the account in the event of demise of the policy holder or in his incapacity to operate the e-IA. The AR is entitled only to access the e-IA to know the portfolio of insurance policies and the nominees of the respective policies held under that account. Policy holders have the discretion to change the AR. The AR is different from a nominee and has only access rights to the e-IA in the event of demise of the policy holder.

(The writer is B. Krishna Mohan.)

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Source

India: Insurers urged to adopt predictive analytics – Asia Insurance Review



The Indian insurance sector needs to adopt predictive analytics to tackle risks surrounding early claims, no matter how slim the margin, say Jasjeet Singh, partner, and Jayesh Raj, senior manager, of Financial Services Analytics Advisory at the professional services firm EY.

Early death claims (claims received within 0-2 years of policy issuance) are a primary risk focus for Indian life insurers. Typically, early death claim rates range between 0.2% and 1.0% of policies issued, with a high proportion of such claims being fraudulent (for example, dead-man insurance, misrepresentation of health/financial information), the authors wrote in *Forbes India*.

Detecting early-claim risk before issuing a policy can not only help insurers reduce operational costs, it can also make life insurance more affordable, as the saved cost is passed on to consumers. Despite the focus on reducing early-claim risk, most Indian insurers still rely on intuitive, rule-based frameworks rather than predictive analytics-driven automated workflows for underwriting. This results in high false

positives (rejected cases that would not have resulted into a claim), higher physical verification costs and longer decision cycles.

The authors say that a holistic approach is necessary to build a differential underwriting workflow for modelled risk categories of customers-- for example, very high risk (0.5%) are auto rejected, high risk are referred for on ground verification & mandatory medicals (1%), medium risk (5%) are referred for mandatory medicals etc.

They also say that while predictive models can help insurers contain originations risk, there is a strong case for the industry as well to share risk data. Incorporating a central insurance data custodian to maintain and share industry-wide data repositories, including risk information on geo-locations, sourcing agents, claims and high risk customers, can enable better underwriting decisions.

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LIFE INSURANCE

How NRIs can buy a life insurance plan in India - The Indian Express - 18th April 2019



In India, life insurance is believed to be the most preferred financial instrument, especially in comparison to some prominent milestones of life such as constructing a house, children's education and their weddings. Even a recent survey conducted by Exide Life Insurance revealed that life insurance remains the most preferred financial instrument for creating a safety net while staying insured. The best part is that it's not just Indians who reside in India who feel the need and see the importance of investing in life insurance.

Indians well settled in a foreign land also understand the significance of life insurance to protect the needs and requirements of their family members. No wonder, life insurance is a one-stop solution to put your mind at ease.

For Non-Resident Indians (NRIs), there are some significant advantages to purchasing Indian life insurance policies as the individuals can often readily benefit from the death benefit (regular term plans). Life insurance even provides the clients with a tax-free death benefit, assist in estate building and is an excellent financial instrument used for legacy planning (whole life term insurance), allowing insured to leave a legacy for the heirs.

Luckily, there are numerous prominent life insurers in India who offer life insurance to NRIs as well. NRIs can now buy term insurance plans in India at premiums that are among the cheapest in the world. While it is an interesting initiative, there are numerous things that must be kept in mind by NRIs while buying into any such plans.

Under the Foreign Exchange Management Act (FEMA), NRIs, as well as People of Indian Origin (PIOs), are allowed to buy a life insurance plan in India. The individuals - whether residing in India or not - are free to buy any plan that best meets their requirements of protecting themselves and their family members. To pay the premium, one may choose to pay through an NRO bank account, NRE/FCNR bank account or in foreign currency. However, if you choose to pay using foreign currency, it is important to check well in advance in which currency the policy was issued.

In order to buy a term insurance policy from India, the NRI needs to go through a medical examination in the country of residence and its reports need to be sent to the insurer in India. After examining the reports, the insurance company takes a final call on issuing the policy, and the premium amount. Some insurers even allow policy seekers to go through tele medicals in order to issue a term policy. The NRI

customer is asked a defined set of questions about medical conditions over a call, the basis on which the policy is issued.

Company	Plan Name	Medical Examination Type	Annual Premium (Rs.)
ICICI Prudential Life Insurance	iProtect Smart	Tele Medicals	17,610
HDFC Life Insurance	3D Plus Life Option	Tele Medicals	17,575
Max Life Insurance	Online Term Plan Plus	Mandatory Medicals	14,514
TATA AIA Life Insurance	Sampoorna Raksha	Mandatory Medicals	12,508
PNB MetLife	Mera Term Plan	Mandatory Medicals	13,683

*Source: <http://www.policybazaar.com>

If an NRI has purchased a life insurance policy from an insurer in India, the policy is bound to cover death, irrespective of the country where the event occurs. The death benefit paid to the beneficiaries of the policyholder is in the currency specified in the policy document i.e. either in Indian Rupee or any other foreign currency. In order to make a death claim, the nominee needs to submit all the documents as mentioned in the policy terms. One must learn that the list of documents required may vary from one insurer to another.

Some of the most common documents required for making a claim include a copy of the policy, death certificate of the insured, identity proof of the nominee, etc. Most importantly, if the death of the

insured occurs in a foreign nation, the nominee needs to submit a death certificate duly attested by the Indian Embassy in the respective country.

Listed below is a comparison of the prices of term insurance offered by five prominent insurers for a 35-year-old male non-smoker NRI, residing in UAE. The total sum assured is Rs 1 crore and the cover is up to 75 years.

(The author, Santosh Agarwal is Chief Business Officer- Life Insurance, Policybazaar.com.)

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Never surrender your Ulip policy within five years - Deccan Chronicle - 17th April 2019



Sandhya Nair was coaxed into buying a Unit Linked Insurance Plan (Ulip) by a life insurance agent. “The product comes with a life insurance cover, high returns and tax benefits, too,” the agent had said. The 10-year plan has an annual premium of Rs 1 lakh and the policy has completed three years. But the policy statement shows that Rs 3 lakh premium paid has a fund value of just Rs 3.02 lakh. Nair now wants to stop paying further premiums and surrender the policy.

According to the persistency data of most life insurers, around 50 per cent of Ulip policyholders surrender their policy within the first five years. While in theory, as ULIPs have a five-year lock-in, terminating the policy early affects returns adversely.

Ulip is considered to be a mutual fund scheme wrapped with an insurance cover. But, unlike a mutual fund scheme where there is one single consolidated total expense ratio (TER) to look at, Ulips have a long list of charges such as the premium allocation charge, mortality charges for the insurance cover, fund management charge, policy administration charge, partial withdrawal charges, premium redirection charge and premium discontinuance charge.

This significantly disadvantages policyholders who surrender their Ulip policy within the first five years, as the ULIP charges in this phase ranges between 3 per cent to 9 per cent for the first five years as policy

allocation charges are higher and the assets under management (AUM) base is smaller. In contrast, during the same period, mutual fund charges to the customer typically are at around 2 to 3 per cent.

In a study, Jefferies India performed a simulative “cost of ownership” comparison for a (i) 20-year Ulip policy with a seven-year premium payment term and (ii) similar investment in a typical mutual fund product. The study found that it’s only after the first five-six years that the Ulip annual charges (as percentage of fund) come below the mutual fund’s—as the policy administration and allocation costs turn to be very small as percentage of fund and it is mostly around 130 to 135 basis points of fund management fees. However, since initial charges of Ulip are significantly higher, it takes nearly 15 years’ holding period before cumulative charges of a Ulip become lower than a mutual fund’s. However, tax savings make Ulip returns superior in six-ten years of holding.

(The writer is Falaknaaz Syed.)

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Source

Cover comfort - The Telegraph - 15th April 2019



The first impression that comes to our mind when we think of a unit-linked insurance plan (Ulip) is that it is an investment-linked product where the returns are linked to the performance of the underlying investments. While this is indeed a fair answer, a unit-linked product is much more than just an investment vehicle. In fact, Ulips can be used to meet various life needs at various stages.

These needs can be in the form of having an insurance cover with savings for wealth creation or to meet the expenses of children’s education, their marriage and life after retirement.

While all these needs may not be immediately perceptible or foreseeable, it is important to ensure that all these needs are provided for. And insurance, especially Ulips, is ideal to provide for these needs.

Choice of strategy

While a Ulip offers insurance, it also gives exposure to the investment markets. Depending on the level of financial sophistication and the know-how of an individual, the schemes can choose to opt for a passive or an active investment strategy.

In the case of a passive strategy, the insurance company will decide on the allocation or switching of the money into various asset classes, according to the expertise. In the case of an active investment strategy, the individual chooses the proportion of funds to be invested in various asset classes. The individual can also switch between various fund options, according to his/her risk appetite and the evolving needs over time.

Offering flexibility

By bundling investment and insurance in a single policy, a Ulip provides benefits of both at a cost lower than having these two benefits separately.

Ulips provide a lot of flexibility to customers. An individual, who has bought a regular premium Ulip, can opt for redirecting the premium under which the investments of future premium would be in different proportions from the ones currently being invested.

For instance, suppose someone has invested 50 per cent in equity and 50 per cent in corporate bonds. If the customer expects and believes that the equity markets will do well in the future, he/she can cherry-pick the option and go for a higher equity proportion, say 75 per cent instead of the existing 50 per cent and invest only 25 per cent in corporate bonds.

Partial withdrawals

Individuals needing cash to fulfil some of their unplanned needs can very well take the help of partial withdrawals from their invested corpus in a Ulip. The liquidity option through partial withdrawals allows the individual to withdraw part of their fund, as and when the need arises while continuing with the cover.

This offers a great amount of flexibility that would enable a customer to meet his immediate needs. Some of the recurring needs can be fulfilled through systematic withdrawals.

Ulips also offer a settlement option wherein an individual can receive the maturity amount in instalments rather than as a lumpsum amount. This will help to minimise the impact of market fluctuations affecting the maturity value. This may be helped further by the fact that there is a proposal to extend the settlement option up to 10 years, that is, the maturity amount receivable could be spread out over a period of 10 years.

Also, the frequency (monthly, quarterly, etc) at which the payouts would be received can be decided by the individuals according to their needs.

Equity edge

It is usually believed that equity investments offer good returns if held for the long term. Ulips offer a chance to invest in equity instruments apart from various other asset classes such as bonds and money market instruments.

These products also have a lock-in period of five years, which act as compulsory savings during very early in the term. Compulsory savings without withdrawal in the short term can provide a boost to returns in the long run.

The longer one stays invested in a Ulip, the lower is the cost charged by the insurance companies. This is primarily because of two reasons.

First, with the passage of time, the deduction of mortality charges generally decreases under Ulip. Second, product regulations mandate maximum reduction in yield in a Ulip.

The maximum reduction in yields decrease with the increase in duration one remains invested in. For a 10-year duration, the maximum allowable reduction in yield is 3 per cent whereas for 15-years duration, it is 2.25 per cent.

Retirement corpus

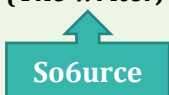
Ulips can also act as an excellent instrument for retirement savings as you can get policy terms of longer durations. One can accumulate a sizeable corpus by gaining exposure to various asset classes through Ulips and by remaining invested for the long term, which would ensure the purchase of a good amount of annuities.

The proposal to allow the open market option for purchasing annuities provides the customer to gain from the completion on annuity rates and/or services. The proposed allowance of commutation of up to 60 per cent of the policy proceeds at the time of vesting is an added attraction to plan the customer's requirement.

Further, the customer would be able to withdraw a part of the fund against certain specified reasons such as higher education of children, their marriage etc.

Tax planning through buying Ulips serves both the purpose of saving money and getting tax exemption under Section 80C. At maturity, Ulip policies do not attract long-term capital gains tax. All of these make Ulips an extremely favourable proposition and any individual should love to have a Ulip as part of his/her financial planning.

(The writer, Subhendu Bal is appointed actuary of SBI Life Insurance.)



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Number of elite insurance agents fall 61%, India drops four places globally to 6th - Moneycontrol - 12th April 2019

Top 10 Countries by Members as of August 1, 2014

RANK	COUNTRY	2014 Members
1	USA	10,211
2	India	7,376
3	Japan	4,471
4	Republic of Korea	4,011
5	Hong Kong SAR	4,010
6	P.R. China	2,858
7	Taiwan R.O.C.	2,114
8	Philippines	1,115
9	Canada	980
10	Singapore	852

Source: MDRT website

In 2014, India was second in the list of countries having the most number of elite insurance agents. Four years later, it has dropped to sixth position, with number of Indian agents in the Million Dollar Round Table (MDRT), falling 61 percent to 2,892 (as of July 1, 2018).

Often considered the gold standard for insurance agents across the globe, Life Insurance Corporation of India (LIC) has been on the top of the MDRT list since 2014.

Founded in 1927, the MDRT is a global, independent association of more than 62,000 of the world's leading life insurance and financial services professionals from more than 500 companies in 69 countries.

MDRT has a strict entry criteria for membership, which is based on the premiums and commissions earned by an

insurance agent. Globally, MDRT membership is recognised as the standard of excellence in life insurance and financial services business. It has two categories -- Court of the Table and Top of the Table. In both categories, agents are ranked based on total premium income and commissions generated, but the only addition in the latter is the additional business criteria.

Sources said the tightening entry criteria has led to a reduction in the number of agents qualifying for the MDRT list.

Top 10 Member Countries (as of July 1, 2017)			Top 10 Member Countries (as of July 1, 2018)		
RANK	COUNTRY	2017 MEMBERS	RANK	COUNTRY	2018 MEMBERS
1	P.R. China	11,259	1	P.R. China	17,677
2	Hong Kong SAR	9,994	2	Hong Kong SAR	9,926
3	United States	8,754	3	United States	7,870
4	India	6,358	4	Japan	6,574
5	Japan	5,887	5	Republic of Korea	3,020
6	Taiwan R.O.C.	5,116	6	India	2,892
7	Republic of Korea	3,116	7	Taiwan R.O.C.	2,782
8	Philippines	1,556	8	Thailand	2,237
9	Thailand	1,541	9	Vietnam	2,229
10	Indonesia	1,367	10	Philippines	2,068

Source: MDRT website

In an emailed response to Moneycontrol, LIC said that the number of agents qualifying for MDRT has seen a steady increase. LIC added that 9,251 agents (compared to 8,297) qualify for MDRT 2019.

How does one qualify?

Getting onto the MDRT list is no easy affair. For instance, to qualify for membership in 2018, an agent was required (in the previous year) to raise a minimum \$164,000 in annual gross

income from the sale of insurance and financial products. Further, a minimum \$47,500 must be income from new business generated during the previous year.

For the Court of the Table (COT) category, an agent was required to net \$282,000 in commissions and \$564,000 in premiums. For the Top of the Table (TOT) category, the same stands at \$564,000 in commissions and \$1,128,000 in premiums.

Those who get selected can attend exclusive events and are eligible to learn and interact with some of the top financial services professionals across the world. This opens up future partnership opportunities and provides a great platform about job opportunities in other markets and companies.

What is the eligibility criteria for 2019?

To be eligible for COT in 2019 (based on 2018 business), agents will have to receive a minimum \$288,000 in commissions and \$576,000 in premiums. Of this, at least 50 percent must come from products listed in the risk-protection category.

Similarly, for TOT, agents will have to collect \$576,000 in commissions and \$1,152,000 in premiums. Of this, at least 50 percent must come from products listed in the risk-protection category.

(The writer is M Saraswathy.)

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Source

GENERAL INSURANCE

In this season of flight cancellations, remember to buy travel insurance – Financial Express – 17th April 2019



As cash-strapped Jet Airways has cancelled most of its flights and is staring at a closure after it failed to find financial support, passengers who have booked their tickets in advance are seeking refund from the airline.

While an airline will refund the money in case of a cancelled flight or book on its alternate or the subsequent flight, the operator has no obligation to compensate in case of delay. Also, a passenger will not be entitled for any compensation in case he does not accept the alternate travel arrangements offered by the airline or when the cancellation occurs due to

extraordinary circumstances beyond the control of the airline.

Insurance compensation

In case of cancelled flights or delay, a valid travel insurance can help the passenger. If the airlines cancels or delays a flight, the travel insurance cover will compensate the passenger. Insurers pay a fixed amount of money depending on the sum assured of the policy under the head 'trip delay and missed connection'. However, the insurance cover will not compensate the passenger in case she misses the flight due to delay on her part.

It is always advisable to take a travel insurance which covers cancelled flights, especially for foreign travels. In fact, a travel insurance is mandatory for travelling to the US or on a Schengen visa, which covers 26 European countries. If one is planning for more than one foreign trip, then he can opt for an annual travel insurance cover.

If a passenger has not purchased trip cancellation insurance and the flight to an international destination is cancelled, then he will not get any compensation. If the passenger has invested in trip cancellation insurance, then he will receive refunds for flight tickets and accommodation. In case flights are cancelled because of terror attacks or any political disturbances, the passenger will be compensated by the insurer under trip curtailment claims provided the insurer has included acts of terrorism in the policy coverage. Do preserve all the bills and documents as they will have to be given to the insurer in case of any claims.

Comprehensive cover

A comprehensive travel insurance offered by all general insurance companies will cover both medical and non-medical emergencies. A valid cover will compensate for loss of passport, natural calamities leading to trip cancellation and delays. Medical expenses abroad can be very expensive. Do ensure that the expenditure limits attached to your health insurance cover is adequate. A comprehensive travel insurance cover will not only take care of your medical cost abroad, but also bear the cost of flying the insured person back at home under medical care.

Apart from the medical expenses, most policies compensate for non-medical exigencies. If your travel plans change at the last moment, it can cost you lot of money as you have to book your travel arrangements once again. Take up a policy which can cover a part of the costs for missed flight

connection, extra stay in hotels, etc. In case of lost baggage, the insurer will pay for your clothing and other belongings. Do check out the real value of your luggage before opting for a luggage cover as your cover should ideally cover the real value of your luggage.

Insurance companies are offering a wide range of specialised travel insurance plans such as individual plans, family floater, senior citizens, students and multiple trip for business travelers. Premium depends on the age of the insured or the number of family members, country of visit, number of days of the trip and the kind of coverage opted. So, before buying a travel insurance, do read the terms and conditions and the coverage of the policy for a hassle-free travel.

(The writer is Saikat Neogi.)

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Source

Why non-life insurance eludes the masses - The Hindu Business Line - 16th April 2019



A few weeks ago, the part time maid servant who works in our house entered in an irritated mood. On inquiry, it was revealed that her one-year old washing machine had stopped working and she needed money for repairs. This incident set me thinking. “Is there a market for selling householders policy even to lower class families (just above the poverty line) who live in one-room tenants or makeshift houses but represent aspirational India.”

The penetration (annual premium as a percentage of GDP) of non-life insurance in India is below 1 per cent. Even though, it has been growing and has risen from 0.56 per cent in 2001 to 0.93 per cent in 2017, viewed in the context of the global penetration including in emerging economies and size and growth of India’s GDP, it is abysmally low.

In fact, roughly 50 per cent of the total non-life insurance premium is represented by motor insurance. The sharp rise in penetration in 2017 has been enabled by the crop insurance push of the Centre.

Barring a couple of exceptions, all the players in the non-life insurance industry are making underwriting losses — incurring a loss from the core business of insurance.

The profits delivered, if any including by the public sector insurance companies are generated by the investment income.

The underwriting losses became a reality after de-tarrification in January 2007 (which mandated a minimum premium).

Earlier all the companies except new entrants were making underwriting profits, of which a significant chunk was held as reserves. The investment income comes from capital, accumulated and IBNR reserves.

The affirmative action of de-tariffication was intended to transit the regulatory regime from directed pricing to free market competition. Insurers were allowed to price insurance policies (except motor third party) on their own assessment of risks.

Unintended impact

Unfortunately, this had an unintended consequence of “race to the bottom” for acquiring size, market share and leadership. While customers may benefit from de-risking below the marginal pricing, the shareholders, uninsured and society at large seem to be paying for the predatory pricing.

Solvency issues have surfaced and the shareholders including the government in case of public sector companies have been called upon to fund.

Affirmative regulatory action has had several unintended consequences. The subsequent initiatives including prescribing adherence to burning cost in pricing, (equal to marginal cost) haven't brought about the desired outcome. Another unintended consequence has been an inadequate expansion of the industry across segments and geography, undermining the fundamental philosophy of denationalisation.

Interaction with industry professionals about enhancing the reach, brings out the oft repeated suggestion of prompting legislative action of making insurance a non-discretionary expense. In fact, deeper analysis would reveal that a major part of the non-life insurance premium comes from risks which are required to be insured as a result of legislative/lender directive — crop, motor, workmen compensation, fire, marine, third party liability etc.

Right from the beginning this industry has been luxuriating on mandatory insurance and corporate risks — 'lazy insurance'. Every insurer chasing the same customers has culminated in pricing warfare, which accentuates with every new entrant in the market. Further, tweaking of regulatory directions may not help the industry, which is drifting towards consolidation and not expansion.

India's GDP per capita has been growing over 7 per cent for the last two decades. Shortly, India will join the ranks of middle income countries with an average per capita GDP of \$2,000. The size of aspiring India is expanding fast. Refrigerators, TVs, motor bikes, mobile telephones, houses are being acquired by a larger number of people every year. The millennials travel a lot — for work as well as leisure. This has opened up new opportunities of derisking individuals through a bouquet of customised householders policy, health cover, travel and accident insurance.

Design revamp

However, tapping that potential warrants a different kind of organisational design, business model and regulatory regime. The product basket, distribution channel, selling techniques and 'go to market' and regulatory design framework must undergo a comprehensive re-engineering.

The current business model of focussing mainly on the bulk and mandatory insurance through a network of brokers, auto dealers and corporate agents fails to reach the mass market. A different distribution matrix is needed. Organisations will have to become flatter and leaner, and more nimble footed with a brigade of 'feet on street' for the last mile human interface.

The refurbished product basket must be easy to understand and offered at affordable terms. The fine print in the policy contracts must be written in simple English which is easy to comprehend and apply. The customer service has to be so upgraded that the likely trauma of the unfortunate event, is reduced to a discomfiture duly comforted by a friend called insurer.

India is by and large networked with high speed digital waves. It is the second biggest user of the data (over 11 Gigabyte per user per month) in the world. The insurance sector, in particular life insurance, though a pioneer in the adoption of technology, has since lagged behind entertainment, consumer industries and capital markets. A greater push towards digitisation will bring down the cost of distribution and customer service. Thus reoriented organisational design can make underwriting the risks of the masses a profitable business.

An 'all digital' start-up non-life company recently entered the market with such an approach. Unfortunately it fell into the trap of over compensating intermediaries and pricing even below the aggregate marginal cost of a large stock of risks, in search of quick success and valuation of the platform. The expected 'network effect', may not deliver the aspirations of the investors, adversely impacting financing of futures losses.

The time is opportune for the regulator to step in with 'development cap' and coordinate with industry managers to usher in new thought processes of insuring India as well as Bharat.

(The writer, GN Bajpai is former Chairman of SEBI and LIC.)

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Source

Jewellery trade gets an insurance shock - The Economic Times - 15th April 2019



Jewellery firms beware. Cases of logistics company officials decamping with precious cargo while in transit or goods disappearing while left unattended by a logistics provider are not covered under the jeweller's block insurance policy, which covers transit related risk like theft, robbery, burglary, etc.

This was evident when a logistics company official last week ran away with 11 kg of gold jewellery worth Rs 3.5 crore. "The owner of the jewellery firm was entertained neither by the insurance company nor the logistics provider," said Surendra Mehta, national secretary, India Bullion & Jewellers Association (IBJA).

While the police recovered 10 of the 11 kg, the news of jewellers' block insurance policy not covering "infidelity" — dishonesty by logistics company employees and /or gross negligence of logistics companies — loss due to unattended vehicles, mysterious disappearance of goods — has shocked the trade.

"Many only now realise that if goods disappear while in transit because of infidelity or unattended vehicles, the extant insurance policy doesn't cover such loss," said Bhavesh Kataria whose firm, Kataria Jewellery Insurance, is the largest insurance broker for the trade, counting clients like Senco, PN Gadgil and Royal Chains.

Kataria said the solution lies in the logistics company taking a fidelity policy for their employees or a jeweller taking a third-party fidelity policy which will cover logistics company, goldsmiths and other third parties, their employees and contractual employees. However, he added, for negligence of logistics company - disappearance from unattended vehicle - the logistics company has to compulsorily have a carrier's legal liability insurance policy, there being "no feasible insurance cover a jeweller can take in such a case."

Mehta said jewellers will now insist on logistics companies having such a cover before sending goods for exhibitions and transfer from branches.

(The writer is Ram Sahgal, Editor, The Economic Times.)

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Source

Small-ticket Travel Insurance policy: Should you opt for it? - Financial Express - 13th April 2019



The UN World Tourism Organisation (UNWTO) said in a report that India by 2020 will account for 50 million outbound tourists. Around a decade back, only 8 million Indians were traveling overseas. Though traveling is fun at the same time, it can become challenging if not planned well. We prepare the tickets, accommodation, transportation, and food ahead of the travel, but most miss out on the insurance. Having an international travel insurance policy ensures that you have a safe and secure trip. They also come with a lot of benefits. From medical expenditure, to trip cancellation or delay and more, Overseas

Travel Insurance offers coverage for all so that any unforeseen situation does not ruin your trip. Almost all insurance companies offer domestic and international travel insurance policies.

Along with insurance companies, many start-ups have also started offering small ticket-size travel loans, the price of which are comparatively minimal from other general insurance companies. Recently, Toffee

Insurance, a Gurgaon-based all-digital insure-tech startup, introduced International Travel Insurance plans. The premium for the policy is set at Rs 400 for a maximum of 180 days, underwritten by HDFC Ergo. The policy covers medical treatment in case of a personal accident, loss of passport, loss of baggage and more when traveling on a visitor visa.

Experts say, in India, travel insurance remains an under-penetrated segment with only a minority of Indians protecting their travels. This is seen mostly because of the high costs and inconvenience of any disaster, while abroad. Industry experts add, insurance is a necessity, and people traveling abroad should consider it particularly when the losses can stack up to be unaffordable. In case of any health issues or accidents, evacuation from a foreign country cost thousands of US dollars. Even in Asian countries, hospitalization expenses go up to \$500 to \$1000 a day.

Rohan Kumar, Co-founder and Chief Executive Officer at Toffee Insurance, says “People are always surprised to learn how expensive medical care is abroad. For example, a hospital stay in Thailand at a mediocre hospital cost \$500 per day. Compare that to the cost of travel insurance, and it’s immediately obvious why a travel cover is essential for foreign travel.”

Inclusions in the policy

The international travel insurance policy offered by Toffee Insurance is a comprehensive plan applicable to all countries after departure.

Emergency medical expenses up to \$50,000 are offered which includes inpatient and outpatient expenses, ambulance, tests, prescription drugs, doctor fees, medical evacuation, and repatriation.

Expenses for check-in baggage loss up to \$1,000 or delay up to \$100 after 12-hour delay, is covered under the policy.

Expenses due to flight delay or cancellation for more than 6 hours up to \$10 per hour for up to 12 hours is also covered under the policy.

In the event of hospitalization for more than 5 days, which leads you to miss your return flight hotel accommodations up to \$3000 is covered under the policy until a return flight becomes available.

Expenses due to loss or theft of passport and IDs of up to \$250.

Exclusions in the policy

Any pre-existing conditions, will not be covered under the cover. Treatment for any medical issue that you had prior to the departure date will be excluded.

The age eligibility for this policy has been set between 1 year to 70 years. Any individual below 1 year and above 70 years will not be eligible for this travel insurance.

If you get into any accidents due to taking part in hazardous sports and activities, the policy will stand void. Hazardous sports and activities include aviation, scuba diving, bungee jumping, parachuting, racing, diving, rock or mountain climbing, parasailing, hang-gliding, off-piste skiing, naval, military or air force operations.

Policyholders will also have to pay a small amount out-of-pocket (deductible), for each claim related to medical, dental, baggage loss or delay, loss of personal documents or personal liability.

Accidents under the effects of intoxicants or hallucinogens will not be covered.

In case of theft, loss or damage of personal possessions is not covered.

Should you opt for it?

These insurance policies are specially targeted towards millennials. First-time buyers or people who do not have insurance can start with these type of policies. Industry experts say especially here in India, there is a large segment that does not have any insurance cover. With such small-ticket size insurance cover, one gets introduced to a product, before opting for a full-fledged cover.

However, because of the lesser premium, the coverage of these policies is also low and might not be adequate in certain situations. For instance, this international travel plan by Toffee Insurance is suited for individuals and does not really benefit a family. These policies are also not for everyone as people with pre-existing diseases or conditions have a different requirement.

(The writer is Priyadarshini Maji.)

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Source

HEALTH INSURANCE

Exclusion illness, diseases to come under health insurance cover, IRDA may soon announce new guidelines - Zee News - 17th April 2019



Insurance Regulatory and Development Authority of India (IRDAI) is soon going to announce new guidelines for medicaim policy wherein people will get insurance cover for many diseases and ailments which were earlier excluded.

After the announcement of the new medicaim policy, Insurance companies will have to include maximum diseases and ailments like congenital defects, and other serious illness that are right now not covered by these companies. These exclusion illness, diseases are usually not covered under mediclaim policy.

The insurance regulatory authority had in February this year placed “Draft Guidelines On Standardization Of Individual Health Product”.

As per the draft guidelines, all General and Health Insurers shall offer the Standard Individual Health Insurance Product (other than personal accident and travel covers) in order to enable the prospective customers of health insurance market choose an appropriate health insurance coverage of their choice.

The minimum basic sum insured under standard product shall be Rs 50,000 and Maximum limit shall be Rs 10 lakh.

This standard product shall have the basic mandatory covers which shall be uniform across the market. No additional add-ons or optional covers allowed to be proposed to offer along with the standard product. It shall be offered on indemnity basis, as a standalone product. It shall not be combined with Critical Illness Covers or Benefit Based covers.

The guidelines further said that expenses incurred on treatment under Ayurveda, Unani, Sidha and Homeopathy systems of medicines shall be covered subject to fixed and standard sub-limits based on Sum Insured.

(The writer is Anurag Shah.)

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Source

Your insurer can soon tweak your health policy, but only if you benefit - Business Standard - 17th April 2019

The Insurance Regulatory and Development Authority of India (Irdai) would soon start approving ‘minor’ changes to products quicker if it benefits the policyholders. The insurance regulator has proposed a list of 12 ‘minor’ changes for which insurer can apply for quicker approval.

If an insurer, for example, wants to give an option to policyholders to pay the health insurance premium in instalments, it doesn't need to go through the lengthy procedure of seeking the nod from the regulator.



Similarly, insurers would be able to add more riders, change sum assured, expand the list of day care procedures, add more critical illnesses to their products faster than before. Along with these, Irdai has would also allow companies to increase or decrease premiums by 15 per cent and tweak minor policy wordings.

In another notification, the regulator has also asked the insurers to send updates to policyholders if they have lodged a claim. "All insurers shall notify about the status of the claim at various stages of its processing. In case of health insurance, where third-party administrators (TPAs) are engaged for rendering claims services, it is the responsibility of insurers to ensure that status on the claim shall be notified to the claimant at every stage," said the circular. The regulator is in the process to come up with standard terms and conditions for a health insurance product and a list of exclusions.

The regulator didn't want the insurers, who are seeking modifications to their existing products, to wait until those two changes are implemented. The Irdai has, therefore, planning for a faster approval route, according to officials of insurance companies. While the regulator had earlier approved insurers to charge health insurance premiums in instalments, not many companies had filed for it. Officials of insurance companies feel that once the current proposal is finalised, the companies would allow policyholders to pay premiums in monthly and quarterly instalments.

imilarly, faster approval of add-ons, day care procedures, critical illnesses and riders would benefit existing policyholders. "The regulator has said that insurance companies can make these changes after filing the same on certification basis. As of now, when insurers files for changes, it can take up to 16-20 weeks to get an approval," says Puneet Sahani, head of product development, SBI General insurance.

The proposed changes in premium by 15 per cent won't be arbitrary. The regulator has specified guidelines for changes in premium.

The increase in premiums, for example, due to adverse loss ratios, can only be done if the insurer faces losses for the preceding three financial years for the product. "Similarly, changes in policy wordings are limited to those wordings which may enhance the value to the policyholder in terms of the manner of payment or entitlement of benefit.

The regulator has said that these minor changes should not adversely affect the terms and conditions of the benefits payable," says Bhaskar Nerurkar, head of health claims, Bajaj Allianz General Insurance. According to the draft proposal, insurers cannot change in the wordings of exclusions or time-bound waiting periods of a policy when seeking any modifications to their products. They are also not allowed to impose any new deductible, co-pay or sub-limits.

Proposed 'minor' modifications

1. Change in premium paying frequency
2. Change in the base premium rates -- increase/decrease of 15 per cent
3. Addition of approved standalone riders, add-ons and critical illnesses
4. Minor Changes in policy wordings
5. Change in sum insured
6. Change in entry age
7. Expansion of the list of day care procedures
8. Addition of critical illnesses

(The writer is Tinesh Bhasin.)



[TOP](#)

Modicare ropes in just 1 per cent of private hospitals - Deccan Chronicle - 16th April 2019



Ayushman Bharat, the most ambitious universal health insurance scheme, has just one per cent of the private hospitals and nursing homes empanelled. Healthcare experts opine that the number of these hospitals have to go up at least by eight to 10 times for the scheme—also known as Pradhan Mantri Jan Arogya Yojana (PMJAY) and Modicare--to be successful.

By the Ayushman Bharat website, 15,291 hospitals have been empanelled under the scheme launched in September 2018.

“Of this, half of them are government hospitals and around 7,500 are private hospitals and nursing homes. The total number of private hospitals and nursing homes in the country would be closer to five lakh. The empanelled ones would be around one per cent of the total number of hospitals and nursing homes,” said Ashwajit Singh, Managing Director, IPE Global.

According to Dr. Mohit Saxena, Principal Consultant, Transformational Health (Healthcare) Practice, Frost & Sullivan, participation of the private healthcare sector is critical for the successful implementation of the scheme as almost 80 per cent of the operational healthcare infrastructure is with the private sector.

Healthcare services of most government hospitals have always been free for poor patients and the scheme does not provide any additional benefit. In order to provide better facilities under the scheme, the government will have to bring in private hospitals into the fold, find experts. “The number of private hospitals should go up at least by eight to 10 times,” said Singh.

“The private hospitals that have empanelled for the scheme are those which always have some vacant beds. Private hospital chains with high occupancy levels are still hesitant to be a part of the scheme and the main issue is treatment rates. The hospitals were not comfortable even with the CGHS rates,” he added.

According to Saxena, the Ayushman Bharat treatment and procedure rates are 10 to 15 per cent less than CGHS rates. Though the hospitals can charge 10 per cent to 30 per cent premium on this under certain conditions, many hospitals are unable to fulfil all the criteria. The pricing policy is currently in a state of flux and the hospitals anticipate the rates to at least increase to the CGHS rates.

Hospitals are also finding the process of empanelling a bit tedious. Of the hospitals, which have got empanelled, majority are in the metros and tier-I cities. “The scheme will only be successful, if it reaches out to the patients in smaller cities, towns and rural areas,” he said.

Source

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It is never too early to buy health insurance - Moneycontrol - 14th April 2019

April and May are the months when most salaried professionals get their performance bonuses and pay hikes. Any financial planner that one may consult after this will most probably advise you to buy tax saving instruments like equity-linked savings schemes (ELSS) and public provident fund schemes. Health insurance, one of the most critical products, is rarely ever on this list.

Estimates suggest that health inflation is at 18 percent since 2017 and could go up to 23 percent by 2021 in India. The boom in the medical tourism industry will only make healthcare more expensive as those from developed markets with fatter wallets are ready to play for quality services.

In India, almost 70 percent of the health expenses are borne 'out of pocket' rather than having insurance cover costs. With both the waiting period (the 6-12 months period after buying a policy where insurance claims are not payable) and policy exclusions coming down, it is a win-win for the consumers. Buying a policy at the age of 23-25 years is ideal, since not only are the premiums cheaper, it also helps in maintaining a better fitness early on since insurers incentivise such behaviour.



One may argue that they could always save money in bank accounts for emergency expenses. But considering house rent and other monthly expenses, saving up a decent sum like Rs 10-15 lakh for medical purposes would take several years. On the other hand, at an annual premium of Rs 15,000-20,000, an individual (non-smoker at the age of 25) could buy a Rs 10 lakh health cover.

As per insurance regulations, health policies have lifelong renewability. This means that even if one's health deteriorates after a few years of buying the policy, the insurer has to mandatorily renew the product each year.

Unfortunately, a lot of individuals realise the need to buy health insurance after reaching their mid-40s. At this stage, there is a high probability of being denied the cover if you have one or more health-related conditions like blood pressure or diabetes. Further, the premiums go up by 40-45 percent compared to what it would have been for a 25-year-old. Family history for heart ailments and cancer increase the chances of being denied a cover.

Many professionals also make the mistake of solely relying on the group medical covers offered by employers. Not only is the cover size inadequate in most cases, but the number of exclusions is also higher. A large majority of these products also involve a co-pay clause wherein the insured has to bear a certain cost of the medical cover.

Lifestyle-related diseases like lung cancer, ulcers, high cholesterol and diabetes are becoming increasingly common in India. The wise decision now would be to tap the opportunity and buy a health insurance cover at the earliest. Because when you need a health cover the most in the years closer to retirement, you are least likely to get it.

(The writer is M Saraswathy.)

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Source

Ayushman Bharat package rates revision on radar - The Economic Times - 12th April 2019



The contentious issue of package rates of Central government's Ayushman Bharat scheme may be resolved after the Lok Sabha election, a senior official of a private hospital chain said here on Friday.

The Indian Medical Association (IMA) has demanded a "reasonable and fair package rate" in the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), which seeks to provide a cover of Rs 5 lakh per family per year and is likely to benefit more than 10 crore poor families across the country.

"Government is seriously considering on package rates. We are expecting something after the election," Medica Group of Hospitals chairman Alok Roy said on the sidelines of a programme organised by The Bengal Chamber.

PricewaterhouseCoopers healthcare leader Rana Mehta said the rates of Ayushman Bharat is not sustainable for quality healthcare and the industry has to compromise on quality at these tariffs.

The AB-PMJAY will help in building a national healthcare record database, Mehra said. Roy said technology continues to reduce healthcare cost if inflation is taken into account.

"The charge of a procedure remains at the same level even after 10 years. It should have been higher by 50-100 per cent," Roy said.

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Source

MOTOR INSURANCE

5 must have benefits to consider while buying a car insurance policy – Financial Express – 16th April 2019

With the increase in demand for vehicles in the country, the car insurance industry too is witnessing significant growth. According to the Motor Vehicles Act, 1988, it is mandatory for every vehicle owner to have a third-party liability motor insurance policy. A failure to produce a car insurance certificate, when requested, may result in penalties or other serious consequences.

However, before buying a car insurance plan, it is important to understand the features and benefits of the motor insurance policy. Choose a car insurance policy that offers the most benefits at a competitive rate.

Following are the 5 benefits that you may look out for in a good car insurance policy.

1) Financial Coverage

The main purpose of a car insurance cover is to protect you from financial obligations which arise because of untoward incidents. A car insurance policy offers the much-needed financial protection in case of property damage or bodily injury due to an accident. A motor insurance policy also offers coverage against natural and man made calamities such as earthquakes, storms, floods, riots, or thefts. There are two major types of car insurance in India—third-party car insurance and comprehensive car insurance.

Third-party motor insurance: Here, the car insurance provider offers compensation in the event of a bodily injury or death of the third-party, as well as for any damage caused to the car. It also offers personal accident coverage to you if you are the owner or driver. However, a third-party car insurance policy does not cover any damage to the policyholder's vehicle. A third-party car insurance is the minimum level of coverage mandated by the Motor Insurance Act.

Comprehensive car insurance: It offers extensive coverage as opposed to the third-party car insurance cover. Besides offering the benefits provided under a third-party car insurance cover, you may also enjoy the coverage of the loss incurred on your vehicle.

2) Cashless Garage Network

This is one of the most important aspects to look out for while purchasing a car insurance policy. Some car insurance providers are connected to a network of automobile repair shops, where your damaged car can be repaired. In cashless motor insurance, you may not be required to make out-of-pocket expenses towards the repairs of the vehicle. The car insurance provider directly settles all the bills with the repair shops in the network.

However, you have to pay the difference amount to the mechanic as stated by the claims manager from the car insurance company.

Additionally, the depreciation amount is borne by you, as per the rate under the Compulsory Deductibles section of the India Motor Tariff. A key benefit of cashless motor insurance is that you do not have to bear

the stress of filing a claim and doing regular follow-ups with the car insurance company. Since the car insurance company handles the expenses directly, you may simply receive your repaired car without any hassles.

3) Deductibles

Opting for deductibles reduces your motor insurance premium amount significantly. A deductible is an out-of-pocket expense payable at the time of making a motor insurance claim. For example, if you opt for a deductible of Rs. 5,000, and the repair expenses are to the tune of Rs. 20,000, you are required to only pay the initial amount of Rs. 5,000, while the motor insurance provider pays the rest. Although it is true that deductibles lower your car insurance premium, do not opt for a deductible more than what you can comfortably afford. Otherwise, this may defeat the entire purpose of purchasing a car insurance policy.

4) No Claim Bonus (NCB)

A good motor insurance policy offers the benefit of no claim bonus (NCB). NCB is a discount on premium offered by the car insurance company if you do not make a single claim during the policy period. It acts as a reward towards the prudent use of vehicles. Knowing about the NCB discount percentage helps you determine how much you may save on your next car insurance renewal.

For the first claim-free year, the NCB discount offered is 20 per cent, which goes up to 25 per cent, 35 per cent, 45 per cent, and a maximum of 50 per cent for the second, third, fourth, and fifth consecutive claim-free years respectively.

Remember, NCB corresponds with the car insurance policyholder, and not with the vehicle. This means that you may transfer the NCB benefit to your new vehicle, and from one car insurance provider to another car insurance company.

The benefit of NCB is available only on the renewal of comprehensive car insurance policies and not on third-party car insurance covers. Hence, you cannot enjoy the benefit of NCB on your third-party motor insurance plan even if you have not made any claims in the past years.

5) Customisation Through Add-Ons

A good car insurance plan should allow customisation through riders. These riders, also known as add-ons, offer additional coverage over the basic car insurance plan at additional costs. It enhances the level of coverage through various value-added features. Following are some common rider options that you may explore:

Zero depreciation: The car insurance provider is liable to bear the total cost of repair of car parts, without accounting for the depreciation factor.

Engine protection: It provides financial coverage in an event of damage to the engine due to leakage of lubricating oil, engine malfunction and ingress of water, among others.

Roadside assistance: This offers assistance in case of breakdown of your vehicle. The services may include arranging fuel, providing alternative modes of transport and accommodation facilities.

Enhanced owner personal accident: It offers financial protection against accident-related events such as temporary or permanent partial disability, temporary or permanent total disability and death.

NCB protect: It allows you to enjoy NCB benefits even if you have made a claim.

Some other rider options available in the market include vehicle replacement, ambulance and medical expenses, and consumables rider.

Your vehicle is a high-utility asset, and expensive investment for you. So, it is important that you protect it adequately against risks by investing in a good motor insurance policy.

(The writer is Vijay Sinha – MD & CEO of COCO by DHFL GI)

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Source

Motor Insurance: Common inclusions and exclusions to look for in your car insurance policy – Financial Express – 16th April 2019



It is a well-known fact that you have to get your car insured before it can be driven on the road. So, even if you hold a valid licence, driving a car out of the showroom right after purchasing it without an insurance policy is not allowed. Any insurance policy may be bought from an insurance company directly, through an intermediary or an insurance aggregator platform, who have a tie-up with an insurance company. No matter where you buy from, here are a few things you should be aware of.

Inclusions in a Car Insurance Policy

As per the IRDAI regulations, there are two types of car insurance policies in India, the first one being – Third-party Cover (TP), which is a mandatory cover. The cover basically aims at protecting the insured from the different claims arising from a third party, but only when the insured’s vehicle is at fault. This cover even pays for any financial liability apart from taking care of the legal repercussions, arising due to the accident. However, it only covers the insured’s legal liability for the damages caused to a third party which may include bodily injury, death and damage to third party property. One must learn that the cover does not pay for repair of the damage caused to own car.

The second one is the Comprehensive Policy that covers your car against theft loss as well as the repair cost against the damage (OD) caused to the vehicle during an accident. ‘Own-damages Cover’ is generally the non-compulsory part of the comprehensive policy that pays for the damages or theft of the car. The policy even provides coverage against damages caused by fire, explosion, self-ignition, lightning, riots, strikes or act of terrorism as well as natural calamities.

Exclusions in a Car Insurance Policy

While making a claim, as a policyholder you must know that you may not be entitled to the entire claim amount unless you have taking a zero-depreciation car cover. Under a regular car insurance cover, there are a few restrictions and specific exclusions. This list includes the following situations in which loss of or damage to your car is not covered.

1. The motor policy is a yearly contract and has to be renewed without a break. In case any damage happens post the expiry of the policy, the loss is not covered.
2. If the vehicle was being driven by a person without a valid driving licence.
3. If the vehicle was being driven by a person under the influence of alcohol or drugs or any other intoxicating substance.
4. Any accidental loss or damage and/or liability caused sustained or incurred outside the geographical area mentioned in policy. i.e. accidents which happen on the soil of Indian territory will be covered only. There is an add-on available which covers your vehicle against any accident outside Indian territory –Sri Lanka, Bhutan, Myanmar, Pakistan & Nepal –as well.
5. A standard motor policy does not cover any damage to the car due to war, terror attacks, invasion, foreign enemy action, civil war, mutiny, rebellion, hostilities, radiation or nuclear material/weapons.
6. All those losses incurred due to a certain action resulting by the policyholder or a third-party (whether intentional or by accident) and are not an outcome of an uncertain event may not be covered in a car insurance policy. To understand it matter, let’s take example of engine damage caused due to water ingress (water seeping inside the engine area) during monsoon season. This is one of the most common consequential losses as the loss does not happens because of flooding or the rains, but because

someone cranked up the car in a water-logged area. This is considered as a deliberate act committed in an emergency situation. Any such loss won't be covered by the insurer.

(By Tarun Mathur, Chief Business Officer-General Insurance, Policybazaar.com)

Source

Know the two wheeler insurance rules before you buy bike insurance in 2019 – Financial Express – 12th April 2019



As a two-wheeler owner, while you were zooming around on the roads, the insurance regulator, IRDAI, has brought about certain changes in the insurance rules. Some major overhaul of the insurance rules has taken place over the last 12 months.

While the third-party (TP) insurance cover continues to be a compulsory cover, there are 3 important changes that one needs to know before getting bike insurance – One, a multi-year long-term TP cover, Enhancement in personal accident coverage and thirdly the unbundling of PAC.

1. Long term two wheeler insurance

Effective September 1, 2018 (registration date) the nature of insurance policies have gone long term. For new bikes purchased after that date, the third-party premium has to be paid upfront for 5 years. However, owners of two-wheelers purchased before that date may continue to pay as it is. "It is now compulsory to buy a long-term TP (Third-Party) cover as mandated by IRDAI," says Tarun Mathur, Chief Business Officer- General Insurance, Policybazaar.com.

Remember, its only the TP premium, which as it is fixed by IRDAI based on the capacity of the vehicle, is to be paid upfront. The own-damage (OD) premium may still be paid on an annual basis.

Also, there is no impact on the IDV and the no-claim bonus portion and neither it is correct to say that premium will increase as it is only the upfront cost that will go up. After paying 5-year premium upfront, one need not pay any TP premium for the next four years.

Options available: Now, the bike owner has two options – Either to go for a Multi-Year Long Term Comprehensive Policy Or else a Bundled Policy.

Under a Long Term, Comprehensive Policy both TP and OD coverage is for 5 years. Here the premium is also collected for 5 years and policy renewal will come into question only after 5 years when the policy is about to expire.

But, what if one wants to pay OD premium only for one year and renew it the next year onwards? In that case, one can opt for a Bundled Policy, wherein, "The TP coverage is of 5 years but OD cover is applicable for 1 year only. Here, the OD premium will have to be renewed every year as compared to a TP cover which is possible for renewal only after 5 yrs," informs Mathur.

2. Coverage for personal accident cover (PAC) enhanced

IRDAI has already enhanced the coverage for the personal accident from Rs 1 lakh to Rs 15 lakh. This rule will apply even to the existing owners. While, earlier the annual premium of Rs 50 was to be paid for a cover of Rs 1 lakh, now the annual premium will be Rs 750 for a cover of Rs 15 lakh. Further, insurers cannot force owners to take a long term PAC and hence one may buy a one-year PAC as well.

3. Stand-alone PAC policies allowed

What if you as a bike owner already have a PAC from any non-life insurance company? Or, what if you have more than one bike? Typically, a personal accident policy covers accidental death or pays a certain sum of money to the policyholder in case of any partial or total disability arising out of an accident.

Effective January 1, 2019, IRDAI has unbundled the compulsory personal accident cover and permitted the issuance of a stand-alone policy. So, effectively, one need not pay for PAC again if he or she has a PAC of at least Rs 15 lakh bought from same or any other insurance company.

“What it means is a customer who already has a standalone PA cover or has another bike where the owner-driver PA cover is already taken does not need to buy the cover twice. Also, since standalone PA cover also suffices, customers may buy a standalone PA cover of Rs.15 lakh from any of the insurers across the General Insurance Industry,” says Mathur.

What to do

Choose between the two options based on your specific requirements. Many insurers provide a discount on the premium rates if one opts for multi-year policies. Also, the hassle to keep remembering and renewing each year is minimised. Importantly, long term policies take care of the risk of tariff increase as the regulator keeps revising it every year.

(The writer is Sunil Dhawan.)

Source

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INSURANCE CASES

Insurance firm to pay Rs 1L compensation - The Times of India - 16th April 2019



The Visakhapatnam district consumer disputes redressal forum-II has held an insurance company guilty of deficiency in service after the firm failed pay to the full amount of the insurance claim to a complainant.

The forum has directed the insurance company to pay a compensation of Rs 1,00,000 to Maxworth Plywoods Pvt Ltd, represented by its senior executive and authorised signatory Md Rahamatuddin (complainant) alongwith the insurance claim of Rs 8.01 lakh with an interest of 9% per annum and another Rs 2,500 for litigation costs.

Md Rahamatuddin of Maxworth Plywoods, approached the forum with a complaint against United India Insurance Company Limited alleging that he had taken a fire and special perils policy for a one year period by paying Rs 84,663 for a total insured sum of Rs 5 crore.

Due to cyclone Hudhud on October 12, 2014 a lot of property got damaged. Upon informing the insurance firm, Md Rahamatuddin received a total of Rs 50 lakh. He then made a representation under RTI Act and obtained copy of the survey report.

The report revealed that the surveyor had assessed the claim amount to be Rs 61.19 lakh and after deducting policy excesses, the surveyor assessed the net liability to be Rs 58,13,433.

The insurance firm had withheld a balance of Rs 8,01,433. However, the forum found fault with the insurance firm's claims and directed them to pay the remaining amount alongwith Rs 1 lakh compensation.

Source

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PENSION

NPS new rule allows government employees to choose pension fund managers but with a rider – Financial Express – 17th April 2019



The new rules impacting the National Pension System (NPS) have been notified by Ministry of Finance. In a notification dated January 31, 2019, the ministry had made the amendments based on the Union Cabinet meeting on the 6th December 2018, which had approved certain proposals for streamlining the NPS.

Enhanced contribution

One of the proposals was for enhancement of the mandatory contribution by the Central Government for its employees covered under NPS Tier-I from the existing 10 per cent to 14 per cent. Accordingly, now that the

notification has been issued, the monthly contribution by the employee will be 10 per cent of the basic pay plus DA while that of the central government, it will be 14 per cent of the basic pay plus DA.

Selection of pension fund managers (PFM)

The new rules will allow freedom of choice for selection of Pension Funds and pattern of investment to central government employees as is available to the private sector subscribers. They can change the PFM once a year. The current provision of a combination of public sector pension funds will continue to be available as the default option for both existing and new government employees.

Investment options for government employees

Government employees who prefer a fixed return with a minimum amount of risk may be given an option to invest 100 per cent in government securities (Scheme G). Government employees who prefer a higher return may be given the option of these two Life Cycle Funds – LC25 – With maximum 25 per cent in equities and LC50 – With maximum 50 per cent in equities.

However, as of now, for changing investment pattern or the pension fund manager, the PFRDA is going ahead only with incremental flows only.

Two other major decision taken by the cabinet were the following:

Tax-exempt limit enhancement

Tax exemption limit for lump sum withdrawal on exit has been enhanced to 60%. With this, the entire withdrawal will now be exempt from income tax. Earlier, out of 60% of the accumulated corpus withdrawn by the NPS subscriber at the time of retirement, 40% was tax exempt and balance 20% was taxable.

New Section 80C avenue

Contribution by the Government employees under Tier-II of NPS will now be covered under Section 80C for deduction up to Rs. 1.50 lakh for the purpose of income tax at par with the other schemes such as General Provident Fund, Contributory Provident Fund, Employees Provident Fund and Public Provident Fund provided that there is a lock-in period of 3 years.

Earlier in a written reply to a question in Rajya Sabha in Jan 2019, the Union Minister of State (Independent Charge) Development of North-Eastern Region (DoNER), MoS PMO, Personnel, Public Grievances & Pensions, Atomic Energy and Space, Dr Jitendra Singh had informed that in the event of death of a Government servant of his discharge from service on account of disability or invalidation on medical grounds, the benefit of Central Civil Services (Pension) Rules, 1972 are available to the Government employees of his family members.

Also, the Central Government employees covered under NPS are eligible for the benefit of retirement gratuity and death gratuity on the same terms and conditions as are applicable under Central Civil Services (Pension) Rules, 1972.

Further, the NPS employees are also eligible for other post-retirement benefits such as leave encashment, group insurance, medical facility, etc., as are applicable to employees appointed before 01.01.2014.

(The writer is Sunil Dhawan.)

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Centre must match subscriber share in Atal Pension: PFRDA – Mint – 15th April 2019



Pension Fund Regulatory and Development Authority (PFRDA) has suggested that the government must make a matching contribution to the subscribers' share for the Atal Pension Yojana (APY), which is meant for the unorganized sector. A similar scheme, the Prime Minister Shram Yogi Maandhan (PM-SYM), was also launched last month for informal sector workers.

In an interview, PFRDA chairman Hemant Contractor said that the regulator has sought similar incentive, pertaining to co-contribution for APY, since floating 'competitive schemes'

doesn't serve the purpose.

Contractor said that while both schemes have similar features, the key benefit of the PM-SYM is that the government will deposit an equal matching share in the pension account of a worker every month, which gives this scheme an edge over the APY.

"The only salient difference is that in the new scheme, the government is going to co-contribute. So the contribution burden on the subscriber will be less by 50%. Fifty percent of the contribution cost will be picked up by the government. That is the major difference," Contractor said.

"So, when the new government scheme was announced, we took it up with the government that instead of floating a different scheme, the same incentive could be given to Atal Pension Yojana because it is already an established scheme and it has been running successfully for the last three years," he added.

Even if the government were to contribute 50% to APY, it will only cost Rs 500-600 crore annually to the exchequer, which is not a huge burden, said the PFRDA chairman.

The new pension scheme for unorganized sector workers with monthly income of up to Rs 15,000 was announced in the interim budget. It assured monthly pension of Rs 3,000 to subscribers when they reach 60.

The subscribers are required to contribute a small amount every month during their working years. The government will also make an equal monthly contribution in the worker's pension account. The scheme, which is under the administrative control of the labour ministry, is expected to benefit at least 100 million labourers and workers in the unorganized sector.

APY, the government's scheme promoting social security, is handled by PFRDA and targets a similar customer base and provides fixed pension options of Rs 1,000, Rs 2,000, Rs 3,000, Rs 4,000 and Rs 5,000 on the basis of the contribution. However, the government will make 50% co-contribution of the total amount or Rs 1,000 per annum, or whichever is lower, for a period of five years, for subscribers who opted for the scheme between June and December 2015.

(The writers are Shreya Nandi, Gireesh Chandra Prasad.)

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NPS, Atal Pension Yojana schemes offer more investment flexibility - Mint - 13th April 2019

Starting 1st April 2019, fund managers of some NPS schemes and Atal Pension Yojana have more flexibility in investing in debt securities. Pension Fund Regulatory and Development Authority (PFRDA) has increased the limits on investments in debt securities for some NPS schemes and Atal Pension Yojana. The revised norms apply only to government NPS (central government as well as state government), corporate central government scheme (Corporate-CG scheme), NPS Lite schemes, and Atal Pension Yojana.

"In order to provide flexibility to the pension funds to improve the scheme performance depending upon the market conditions, it has been decided to increase the cap on government securities and related investments and short-term debt instruments and related investments by 5% each," PFRDA said in a circular dated March 25, 2019.

In government NPS, the contributions from subscribers are invested by the pension fund manager in different asset classes according to the limit set by the PFRDA.

Under government NPS (for both central and state government employees), the employee contributes towards pension from monthly salary along with matching contribution from the employer. The funds are then invested through pension fund managers in NPS schemes.

The Corporate-CG scheme is meant for corporate entities that want to invest in pension funds for their employees in the lines of government NPS scheme. Companies can invest in NPS either by choosing private sector NPS or government NPS. The private sector NPS offers more flexibility in terms of investment pattern.

The revised limits of various asset class, according to the PFRDA circular:

Asset Class	Caps on Investments for composite schemes
Government Securities & related investments	Upto 55%
Debt Instruments & related investments	Upto 45%
Equity & related investments	Upto 15%
Asset backed, trust structured etc.	Upto 5%
Short term debt instruments & related investments	Upto 10%

Source: www.pfrda.org.in

Atal Pension Yojana, a government of India scheme, is administered by PFRDA through NPS architecture. The scheme encourages workers, especially from the unorganized sectors, to save voluntarily for their retirement.

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IRDAI CIRCULAR

Gross direct premium of non-life underwritten for and upto the month of March 2019 is available on IRDAI website.

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First year premium of life insurers for the period ended 31st March, 2019

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GLOBAL NEWS

Sri Lanka: Growth continues to slow in insurance sector – Asia Insurance Review



Sri Lanka's insurance industry grew 9.5% to LKR175.7bn (\$1bn) in gross written premiums in 2018, slowing from a growth rate of 15.7% a year earlier, publicly listed local insurance leader Ceylinco Insurance stated in its annual report.

The general insurance industry, mostly vehicle insurance, grew by 7.9% in 2018 from a year earlier to LKR95.6bn in premiums, reported *Economy Next*.

Sri Lanka's life insurance industry grew by a faster 11.9% in 2018 to report LKR80.1bn in premiums, but the growth rate dipped sharply from 17% in 2017 to a four-year low. The annual report said, "The uncertain political climate saw the country plunge into chaos towards the latter part of the year, which adversely impacted the country on many fronts. "The depreciation of the Sri Lankan rupee further compounded the situation."

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Philippines: Microinsurance business expands in 2018 – Asia Insurance Review



The Philippine microinsurance sector has posted total premium of PHP8.14bn (\$157.2m) at the end 2018, representing an increase of 14.5% from PHP7.11bn in 2017, according to Insurance Commissioner Dennis B Funa.

The number of Filipinos covered by microinsurance rose by almost a fifth to 38.9m last year as mutual benefit associations (MBAs) as well as life and non-life insurers increased sales of these cheaper products.

In a statement, the Insurance Commission said that the non-life microinsurance sector posted a significant increase in premium production to PHP998.97m in 2018, up by 25.8% from 2017. Mutual benefit associations (MBAs) posted PHP4.56bn in contributions in 2018 or an increase of 16.8% from 2017.

The life insurance sector posted a 6.9% increase in premiums to PHP2.58bn in 2018. Commissioner Funa said, "Based on the statistical data as of end 2018, we saw that the non-life and life insurance sectors showed significant increases in terms of premium production and number of lives covered. This only proves that microinsurance in our country continues to grow and is an effective and affordable financial product for the protection of the properties and lives of our countrymen."

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Emerging Asia: Term, whole life & health insurance seen as most profitable – Asia Insurance Review

Term and whole life insurance is the most profitable product line, say most executives interviewed in a study commissioned by Peak Re. The price elasticity of demand is relatively low, not least because of still dominant agency distribution. The picture is different for savings-type life insurance policies: More than three quarters of the executives participating in the survey report current profitability levels below the average of the past three years. The main concern is the protracted low interest rate environment.

The study, entitled *Emerging Asia Life Insurance Pulse 2019*, based on in-depth interviews with insurance executives operating in the region and conducted by Dr Schanz, Alms & Company, says that margins on health insurance products which offer fixed benefits for critical illnesses, cancer, diabetes or in the form of hospital cash are viewed as attractive by most executives.

Over the past few years, demand for such products has increased substantially, on the back of growing awareness, better education and higher disposable incomes. Besides savings business, medical (reimbursement-type) insurance is viewed as presenting the most serious profitability challenges.

56% of the executives polled consider the current level of margins as being below the average of the past three years. By many customers, medical insurance is seen as a 'commodity', similar to motor insurance. Additional competitive pressure arises from endemic medical inflation, partially due to a lack of public policy efforts to curb surging hospital costs.

Outlook

48% of executives expect margins on term and whole life insurance business to remain stable over the next 12 to 24 months. The outlook is slightly more optimistic for savings products. 30% of the executives polled expect higher margins as interest rates seem to have crossed their low point. On the other hand, regulatory developments exert fundamental pressure on savings-type business.

Risk-based solvency regulations, similar to Solvency II, in combination with new accounting standards (IFRS 17) are weighing on earnings. Under such regimes, the economic valuation of insurers' assets and liabilities can make it uneconomical to offer long-term guarantees and assume financial market risks on behalf of policyholders – a key element of life insurers' traditional value proposition.

As far as fixed-benefit health products are concerned, 56% of the executives polled do not foresee any major changes to profitability over the next 12 to 24 months. The outlook for medical reimbursement products is less favourable than for fixed-benefit health insurance given this line's comparatively commoditised nature and a frequently limited scope for repricing.

Life and health insurance premiums expected to continue outgrowing GDP

An overwhelming majority of 86% of executives believe that life and health insurance premiums will continue outpacing GDP growth. In light of the growing incidence of noncommunicable and critical diseases, in combination with people's increasing awareness of the need to protect their and their families' incomes, fixed benefit health products were identified, by the vast majority of interviewees, as the fastest growing life and health product line in emerging Asia.

In terms of growth dynamics direct online sales stand out, albeit from a low base. Citing the region's young and technology-savvy population most executives spot a great potential for online in simple and easy to understand areas such as term life and personal accident. Having said this, there is a broad consensus that customers will continue to demand and value human interaction and relationships, except possibly for short-term and simple products.

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China: Govt to allow more insurers' investments in elderly care – Asia Insurance Review

The Chinese government has announced that it would push for more financing support for the elderly care sector to help accelerate the development of a fledging industry and ensure that the needs of an ageing population are met.

The government would also allow more insurance funds to invest in elderly care projects, and encourage financial institutions to extend affordable loans to elderly care service providers, reported Reuters.

Banks, trusts, insurers and other financial institutions will be supported to help them develop financial products that can meet the long-term needs of the elderly. That will include more pension-targeted mutual funds to help people invest for retirement.

China's elderly population is expected to total 400m by 2035.

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