भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

# Insurance Institute of India

C – 46, G Block, Bandra-Kurla Complex, Mumbai – 400051

# INSUNEWS

- Weekly e-Newsletter

**14th – 20th July 2018**

**• Quote for the Week •**

**"The tragedy in life doesn't lie in not reaching your goal. The tragedy lies in having no goal to reach."**

**Benjamin Mays**

**INSIDE THE ISSUE**



## Insurance Industry

### *FRDI Bill fiasco: More caution needed in policy-making - The Hindu Business Line – 19th July 2018*

The sudden u-turn by the Centre on the Financial Resolution and Deposit Insurance (FRDI) Bill 2017 has many implications on policy-making. The Bill, which was ostensibly aimed at improving the financial system and strengthening banks, was dropped by the government amidst fear of public backlash.

Perhaps for the first time in the history of independent India, an aam admi was afraid of the safety of his/her deposits in public sector banks. One could find many such people around — a pensioner who parked his life-long savings in a bank and an aged mother who kept asking others about her money being 'taken away' by banks.

While bankers are tight-lipped about the run on the deposits since the introduction of the Bill last year, it is now an open secret that some customers withdrew their deposits in the wake of the Bill.

As per Reserve Bank of India (RBI) data, aggregate deposits of all scheduled commercial banks fell from Rs 116.84 lakh crore in April 2018 to Rs 116.52 lakh crore by end of May 2018. The demand and time deposits also fell from Rs 1,53,000 crore to Rs 1,52,100 crore. While all this cannot be attributed entirely to fears over the FRDI Bill, it could still point to a trend.

Many senior bankers also see a link between increase in nation-wide cash-crunch a few months ago and the concern over the Bill. These developments indicate a gross failure of a connect between policy-making and people. If the intention of the Government was to clean up the system, it should have gone for a massive education campaign with complete transparency. This was missed out in the whole exercise.

The gaps in the proposed Bill, such as lack of clarity in the 'bail-in' clause and confusion over fate of existing provisions of Deposit Insurance and Credit Guarantee Corporation Act also caused damage.

The worst-hit in the whole episode were commoners who tried to find answers to many questions they never thought they would ever ask. Seen in a larger perspective, the rather unprepared and hasty demonetization of 2016, subsequent inability of banks to provide adequate cash to the customers as per the needs and the FRDI Bill have surely dented the image of banks and public trust in them.

The government must bring out more pragmatic and transparent policies to instil confidence among the public and introduce banking sector reforms in a less noisy manner.

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Source

### *After public outcry, Govt drops FRDI Bill - The Hindu Business Line – 18th July 2018*

The government has decided to drop the controversial Financial Resolution and Deposit Insurance (FRDI) Bill, thus allowing bank customers to breath easy.

The Union Cabinet, which met on Wednesday, decided to drop this Bill, a senior Cabinet Minister told Business Line. This means the present system of insurance deposits will continue and customers will not have to worry about the 'bail-in' provision in the proposed Bill.

Since introduction and any change thereafter in the Bill would have required Cabinet approval, dropping the Bill also required it.

**Two clauses**

The Bill was introduced in the Lok Sabha on August 10, 2017, and then sent to the Joint Committee of the Parliament, which is yet to submit its report. There were two controversial clauses in the Bill: a bail-in provision and an insurance on deposits.

The bail-in provision stipulated that if a bank fails, depositors will have to bear part of the liability. Technically speaking, this provision says, "It amounts to liabilities' holders bearing a part of the cost of resolution by reduction in their claims."

The government repeatedly said that the bail-in provision "may not be required to be used in case of any specific resolution. Most certainly, it will not be used in case of a public sector bank as such a contingency is not likely to arise," Nevertheless, it angered depositors and invited criticism from opposition parties.

Currently, deposits are insured up to ₹1 lakh. The Bill proposed to delete the legal provision for the present insurance system and defined this protection in a new way. Here, too, the government made it clear that "similar protection would continue under the FRDI Bill and the Resolution Corporation is empowered to increase the deposit insurance amount."

It also said that under the provisions of the FRDI Bill, in case of liquidation of a bank, the claims of uninsured depositors will be higher than those of unsecured creditors and government dues. Therefore, "the rights of uninsured depositors will be better protected... in the FRDI Bill."

However, the perception was that there would not be any insurance cover, which prompted the opposition attack. Also, many advocacy leaders advised the government to withdraw the Bill as it had not been well-received. "In an election year, it would not be correct to go ahead with such a controversial Bill," a Minister said.

Arguing for the provision, the Finance Ministry had said that there was no comprehensive and integrated legal framework for resolution, including liquidation, of financial firms in India. The power to restructure public sector banks, and regional rural banks was with the Centre.

**Resolution regime**

The current resolution regime is especially inappropriate for private sector financial firms in the light of significant expansion and many of these acquiring systemically important status in India. With the Insolvency and Bankruptcy Code, 2016, a comprehensive resolution regime for non-financial firms mainly has come in, but there is no such mechanism for financial firms.

Source

This Bill intended to provide a comprehensive resolution regime that would help ensure that, in the event of failure of a financial service provider, there is quick, orderly and efficient resolution in favour of depositors.

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### *Centre in a tizzy over slow pace of rural schemes – The Asian Age – 18th July 2018*

The main aim of the government was to ensure "saturation" or coverage of eligible households under all these schemes.

Alarmed at the poor feedback and slow progress of the three main financial inclusion schemes under the Narendra Modi government's Gram Swaraj Abhiyan (GSA) — namely Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Jeevan Jyoti Yojana and Pradhan Mantri Surksha Bima Yojana — the Centre has directed state-run banks and insurance companies to deploy their top level executives to visit and ensure the targets under these schemes, especially in the 117 aspirational districts across the country in campaign mode, must be achieved.

The Centre's urgency towards ensuring greater penetration of these schemes in rural India stems from the fact that Lok Sabha polls are just months away and a tepid response to its ambitious schemes among rural poor could prove counterproductive for the NDA's bid to return to power in 2019.

The three major financial inclusion schemes are part of the total seven schemes which the Modi regime has included under GSA. The other four schemes are Pradhan Mantri Ujjwala Yojana, Saubhagya, Ujala scheme and Mission Indradhanush.

According to highly-placed sources, the finance ministry has pointedly conveyed to the heads of all state-owned banks and insurance companies that the progress of the three schemes under GSA, mainly in the 117 aspirational districts, is slow and target achievement in most of the states is poor.

All the financial institutions have been directed by the North Block to send their zonal and regional heads and even banking correspondents (who provide banking facilities in remote villages having no access to banks) on field visits to villages falling under the aspirational districts and ensure targets are achieved.

The main aim of the government was to ensure "saturation" or coverage of eligible households under all these schemes. While GSA was to culminate on May 5, its second leg was announced from June 1 to August 15, in which the 117 aspirational districts were also included.

In fact wherever there is shortage of staff, those particular branches have been asked to hire additional manpower on temporary basis from other branches and ensure that targets of the three main financial inclusion schemes are met urgently and these are promoted well, sources added.

Sources further informed this newspaper that officials during their field visits to villages of the 117 aspirational districts have also been asked to point out any lacunae in the action plan and suggest any corrective measures which may help in fulfilling the targets under the aforementioned schemes.

Source

The government has been aggressively highlighting the benefits of the seven flagship schemes within all the targetted villages with the help of the local panchayat heads, and has been holding meetings with them to ensure greater involvement of people in them.

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## Insurance Regulation

### *Irdai may let insurers invest in low-risk projects – The Economic Times – 19th July 2018*

India may ease rules to enable insurance companies to invest in infrastructure projects. Insurance Regulatory and Development Authority is considering allowing insurance companies to invest in projects rated EL1 by rating agency Crisil, which assesses risk based on expected losses.

"The insurance regulator is looking to relax investment norms for companies and has held several meetings with the rating company and other stakeholders," said a person familiar with the development.

"The relaxation will help insurance companies increase exposure to the infrastructure sector."

The regulator currently allows life insurance companies to invest in housing and infrastructure bonds that are rated not less than AA. While the total investment in the category should not exceed 15%, the investment of life insurers was 8.1% of the total traditional funds in 2016-17.

Life insurers had Rs 2 lakh crore exposure to infrastructure and housing in 2016-17. General insurers had exposure of 17.17%, with Rs 38,172 crore in infrastructure in 2016-17.

Insurers can invest in real estate investment trusts and infrastructure investment trusts, with a minimum rating of AA and not exceeding 3% of the fund.

Crisil has developed a credit rating framework for operational infra projectsNSE -4.54 % based on 'expected loss (EL) methodology'.

The rating scale is from EL1 to EL7, with EL1 representing the lowest expected loss and EL7 the highest.

Ratings are assigned based on the expected loss to be incurred over the life of the debt instrument and includes the probability of default and post-default recoveries.

Source

The rating focusses on the recovery of dues to investors over the life cycle of an infrastructure project by factoring in the possibility of refinance or restructuring and arriving at an effective pricing of the credit risk.

### *India: Working group formed to review proposals for life product rules – Asia Insurance Review*

The IRDAI has formed a working group to look into recommendations for a new set of life product regulations. This nine-member group has representatives from both the IRDAI as well as the life insurance industry.

The recommendations were in a report submitted in December 2017 by a previous committee set up in 2017 to review regulations for life insurance products.

In a circular, the IRDAI said that the working group will meet as often as possible and submit its recommendations to the IRDAI Member (Actuary) within one month.

The December 2017 report proposed far-reaching changes for the insurance industry, including self-regulation by life insurers, higher surrender values, flexible investment policies for insurance and offering loans against unit-linked insurance products, among others.

Also, the committee recommended a level playing field in health insurance business for life insurers on par with general insurers and standalone health insurance. This would allow them to sell indemnity-based products, provide value-added services like wellness programmes, offer all-coverage terms and bring parity in commission levels.

Source

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## Life Insurance

### *Life Insurance: Protection policies drive new premium – Financial Express – 20th July 2018*

Private life insurance companies reported 9% growth in individual premium in June 2018, somewhat better than 4% during May 2018. We expect FY19 to be a moderate year for ULIP inflows though focus on the protection business will continue to drive value of new business (VNB) for large players; in that sense, monthly annual premium equivalent (APE) data is incrementally less relevant.

**Better growth**
Private sector APE was up 12% yoy in June 2018, leading to 6% yoy growth for 1QFY19. With 3% yoy growth in LIC for the month (21% in May 2018, 7% in 1QFY18), the overall industry growth was 8% yoy in June (6% in 1QFY19). Excluding two key players, viz ICICI Prudential Life and SBI Life that carry a large base and have been moderating for the past few quarters, the rest of the industry was up 19% yoy (18% in 1QFY19).

**Moderation in capital markets**
Moderation in capital markets and rise in interest rates will likely reduce the intensity of inflows to capital market financial savings — equity inflows to mutual funds were down to Rs 10,700 crore from Rs 13,200-13,600 crore in the previous two months. Most large insurance companies are increasingly balancing their portfolios and shifting towards traditional policies. More importantly, all large players are focusing on the high-margin protection business, which will improve their VNB even as APE growth may be lower. As such, monthly APE trends are increasingly getting irrelevant.

Source

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### *Insurance: Growth momentum eased in June – Financial Express – 16th July 2018*

Private insurance players reported soft premium growth in June— individual annual premium equivalent (APE) rose 4% y-o-y with private players growing mere 9% y-o-y (partially due to base effect) and LIC registering a 1% y-o-y dip. This softness was broadly driven by ICICI Prudential Life (down >5% y-o-y, on a high base) and SBI Life (up mere 8% y-o-y); excluding this, private players posted growth of 15% y-o-y (but still below trend). All in all, Q1FY19 growth momentum turned out to be softer at <6% y-o-y with private players posting subdued growth of <5% y-o-y and LIC 7% y-o-y. While the overall growth momentum seems to be moderating (partially due to base effect), we maintain that predisposition towards financial savings will persist and the industry will regain momentum.

**Growth momentum softening…**
Overall growth (individual APE) softened further to 4% y-o-y in June from the 20–23% run rate in FY18. While private players posted growth of just 9% y-o-y(partially due to a higher base—28% in June 2017), LIC de-grew >1% y-o-y (15% in FY18). The divergence in performance is inescapable—excluding ICICI Pru Life and SBI

Life, private players grew 15% y-o-y. Growth in Q1FY19 has been soft. That said, we expect the growth momentum to improve as the base effect wanes.

**ICICI Pru Life in soft patch; volatility in SBI Life persists**

**Industry growth—softening for now**

₹ million

| | Jun '17 Ind. APE | Jun '18 Ind. APE | Growth y-o-y % |
|---|---|---|---|
| Bajaj Allianz | 876 | 1,038 | 18.6 |
| Exide Life | 445 | 498 | 12.0 |
| Reliance Nippon Life | 541 | 630 | 16.3 |
| SBI Life | 4,965 | 5,366 | 8.1 |
| Tata AIG | 857 | 1,330 | 55.2 |
| HDFC Standard | 3,035 | 3,147 | 3.7 |
| ICICI Prudential | 5,727 | 5,435 | (5.1) |
| Birla Sunlife | 808 | 1,137 | 40.6 |
| Max Life | 2,174 | 2,603 | 19.7 |
| Kotak Mahindra | 810 | 840 | 3.6 |

Source: IRDA

**ICICI Prudential Life**: Individual APE growth further decelerated to >5% y-o-y (largely due to higher base). We had predicted moderation in Q1FY19 due to the base effect and management's focus on containing business volatility. Meanwhile, the company's strong distribution franchise should cushion this impact. We expect the trend to normalize henceforth.

**SBI Life**: Volatility persisted as evident from growth momentum softening again to 8% (from 27% in May and sub-20% aggregate growth in the prior four months). Q1FY19 growth came in lower than 9% (versus >30% in FY18).

**Max Life**: Impressively, growth in June sustained at 19.7% y-o-y (Q1FY19: 15%). Max Life has pulled out of the IDBI Federal Life Insurance buyout; in this backdrop, sustained growth momentum via banc assurance partner Axis Bank and other channels is critical.

**HDFC Life**: After a surge in April (+70% y-o-y), growth softened further for second consecutive month (from 11% y-o-y in May to >4% in June), ending Q1FY19 ~18%.

**Bajaj Life and Aditya Birla Sun life**: Bajaj Life reported individual APE growth of 19%. Birla Sun life's growth momentum improved (up >40% y-o-y).

Source

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## *Dear millennial, do you need life insurance? – Mint – 15th July 2018*

Smruti Valegaonkar, 25, Mumbai-based senior architect and product designer at MuseLab Design Engine, has a life insurance cover. "My parents bought it when I was a child," said Valegaonkar, who has an endowment life insurance plan. The nominee of her insurance plan is her younger brother. "If she does not have dependence requirement, Valegaonkar can continue with the same plan," said Suresh Sadagopan, founder of Ladder7 Financial Advisories. However, Valegaonkar wants to buy a separate life cover next year.

Unlike Valegaonkar, Bhavika Maniar, 30, operations manager at India bulls Asset Management Co. Pvt. Ltd, does not have a life insurance cover. "This is the right time to buy because I have a stable monthly income now," said Maniar.

If you are in your 20s and 30s and, like Valegaonkar and Maniar, are considering buying a life insurance policy, here is what you should know:

**Do you need a life insurance policy?**

Life insurance is an instrument that gives protection to your dependents. In case you die, the sum assured goes to your dependent. "The right age to get an insurance plan is when you have some financial dependence on your income," said Sadagopan. If your parents, siblings, spouse or children are dependent on your income, you need a life insurance policy. If you are single and your parents or siblings are not dependent on your income, you don't need it. Every individual has different types of support and financial dependence on them. As a first time insurance buyer, you need to assess all parameters and could take help from a financial adviser.

**How to pick the right one**

Once you know you need a life insurance cover, the next step should be to buy it immediately. "It is essential to revisit your life insurance requirements today. You need to assess new risks and buy a new cover when the need arises," said Vignesh Shahane, chief executive officer of IDBI Federal Life Insurance Co. Ltd.

The earlier you buy a life insurance cover, the cheaper it will be. For instance, a Rs 1-crore term cover will cost a 35-year old around Rs 9,500 an annum in premium. A 30-year old will get it for a premium of about Rs 7,500 an annum. How do you decide on the cover? "If you are in your mid-twenties, your ideal life insurance cover should be around 17-20 times your annual salary," said Sadagopan. Lastly, time to take a call on the type of insurance cover. There are broadly four types of insurance covers—endowment, money back, unit-linked and term plans. Opt for term plans—the cheapest life insurance product with a higher sum assured.

"Insurance plans are for the security of your family members and dependents. Term plan provides protection, as there is no payout, except on death, and the premium is also very low," he said. Remember to go through all parameters before buying and ensure you don't get trapped in a life insurance policy you don't need.

Source

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### *India: Perception is changing of life insurance purpose – Asia Insurance Review*

The insurance market in India is seen as an anomaly compared to the rest of the world, because the domestic focus is more on returns on investment than on protection, according to Ms. Anjali Malhotra, chief customer, marketing and digital officer of Aviva Life Insurance.

"In an under-penetrated market like India, the primary purpose of protection gets a little bit compromised in favour of the growth of money, and that's an anomaly," she said.

However, Ms Malhotra added that this trend is slowly changing with millennials in India more aware of the need for protection than their parents were at the same age, reports The Hindu.

"People are recognising the need for protection products at earlier ages, so the median age of consumption of term insurance is somewhat coming down," she said. "Where earlier it was above 30, it's now below 30. People are starting to buy these products as soon as they get employed.

"Our financial literacy survey that we took last year shows that millennials are more aware of the need for and importance of insurance than their parents were at that age," she added.

Millennials are accessing insurance online rather than through an agent. Also, with greater life expectancy, people are looking for longer-term products as opposed to those that mature at 65-70 years of age.

Source

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### *'Insurance clients seek returns more than protection' – The Hindu – 15th July 2018*

The insurance market in India is an anomaly in the world where the focus is more on returns on investment than on protection, according to Anjali Malhotra, chief customer, marketing and digital officer, Aviva Life Insurance.

However, Ms. Malhotra added that this trend was slowly changing with millennials in India more aware than their parents were at the same age of the need for protection.

**Safety net for families**

"The primary purpose of life insurance is to make sure all lives are insured and there is a safety net for people's families," she said. "Having said that, the way insurance is being consumed in India versus the rest of the world, there is a stark difference. Anywhere else, insurance means protection and nothing else. In India, insurance is all about the return of money, the internal rate of return.

"In an under-penetrated market like India, the primary purpose of protection gets a little bit compromised in favour of the growth of money, and that's an anomaly," she added.

Life Insurance reach in India is at 2.72% whereas globally it is 3.47%, according to Aviva Life Insurance.
Ms. Malhotra also said the methodology for the calculation of insurance reach is different from what most people think it is. "Insurance penetration is on the basis of GDP," she said. "It is the total value of premiums in the country divided by GDP. It's not on the basis of the number of people but the value."

According to Ms. Malhotra, the nature of the insurance market in India is also changing with younger people becoming more aware of the need for protection, and accessing insurance online rather than through an agent.

"People are recognising to take protection products at earlier ages so the median age of consumption of term [insurance] is somewhat coming down," she said. "Where earlier it was above 30, it's now below 30. People are starting to buy these products as soon as they get employed. There's a sense of responsibility about the self.

"Our financial literacy survey that we took last year shows that the millennials are more aware of the need and importance of insurance than their parents were at that age," she added. "The consumption of term products is going up online. They are more digitally savvy and engaged online and don't feel the need to talk to an agent to buy something as simple as term products. Also, with greater life expectancy, people are looking for longer-term products as opposed to ones that end at 65-70 years of age," she said.

"The market for insurance in India is under-penetrated at roughly 2.7% and shows the potential of the market," Ms. Malhotra said. "It is the lowest penetrated markets in the world. The attempt is to grow the protection segment. So, there are several normal, vanilla, term products that are being marketed now."

Source

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## *Should you go for riders in term insurance? - The Hindu Business Line – 14th July 2018*

*While zeroing in on the term insurance plan, select riders that best suit you*

Buying term insurance is a critical part of your financial planning; a must-have product which you must buy irrespective of your income level and risk profile. It makes sure that your loved ones are financially secure when you are not around.

The term plan is a pure risk insurance policy offered by insurance companies, covering the life of the policyholder for a specific time period. In case of death of the insured during the policy term, the death benefit is paid by the insurance company to the beneficiary. They offer large insurance cover for an affordable premium.

But term plans do come with add-ons. These 'riders' can augment your policy with the added SA, in certain cases, for small additions in premiums. There are others you can ignore as they are either too expensive or may not serve your purpose.

For instance, by just paying Rs 308 extra along with the base premium for a term plan, a 35-year-old male can get the accidental disability rider that gives him an additional coverage for Rs 10 lakh.

The riders available with online term plans in the market today are accidental death benefit, accidental disability benefit, accidental death and disability benefit, critical illness (CI), early claim on terminal illness, waiver of premium on accidental disability and/or critical illness, and cash for hospitalisation.

Here, we discuss the various aspects and features of these riders and their suitability, while purchasing your basic term cover online. We have considered the term plans provided by the top 13 life insurance companies for our study.

**Accidental benefit riders**

| | Rider premium (₹)* | Base plan premium (₹)** |
|---|---|---|
| **Accidental death rider** | | |
| ICICI iProtect Smart | 561 | 11,517 |
| Edelweiss TotalSecure+ | 590 | 10,921 |
| SBI Life eShield | 590 | 15,542 |
| Aditya Birla DigiShield Plan | 756 | 11,906 |
| PNB Met life Mera Term Plan | 858 | 11,826 |
| **Accidental death & partial and permanent disability rider** | | |
| Aditya Birla DigiShield Plan | 1,682 | 11,906 |
| Tata Sampoorna Raksha | 2,360 | 11,800 |
| **Accidental permanent disability rider** | | |
| PNB Met life Mera Term Plan | 177 | 11,826 |
| HDFC Life 3D Plus Life Option | 308 | 14,501 |
| Edelweiss TotalSecure+ | 472 | 10,921 |
| SBI Life eShield | 472 | 15,542 |

*Annual premium for ₹10-lakh rider cover for a policy term of 30 years
**Annual premium for ₹1-crore term cover for a 35-years-male non-smoker for a 30-year policy term

**Accidental death benefit rider**

This rider comes into play if the insured dies in an accident. The nominee will be paid an extra amount. This means the nominee will get the rider SA, over and above the basic SA. For instance, let's assume that a person buys a term cover for Rs 1 crore and an accidental death benefit rider for SA of Rs 50 lakh. If he dies in an accident, the nominee will get Rs 1.5 crore. If death occurs due to other reasons, the nominee will get the base cover of Rs 1 crore.

In insurance parlance, 'an accident is a sudden, unforeseen and involuntary event caused by external, visible and violent means'. Accidental death means death by or due to a bodily injury caused by an accident, independent of all other causes of death. Accidental death must be caused within 180 days of any bodily injury.

The rider must be in force at the time of availing the benefit. Insurance companies will not pay the accidental death benefit if death happens 180 days after the accident, or if it occurs under the influence of liquor, drug, or any narcotic. You have to refer to the policy documents carefully for the full list of exclusions while buying this rider.

**Our take:** Most term plans offer this rider with the coverage ranging from Rs 50,000-2 crore. The rider premium for Rs 10 lakh coverage is Rs 560-860 based on the insurer. ICICI iProtect Smart, Edelweiss TotalSecure+, Bharti AXA Flexi Term, SBI Life eShield are some of the term plans offering this rider. The policy would be most suited for people who work under dangerous conditions or travel very frequently as part of their work.

**Accidental disability benefit rider**

This rider provides additional benefit equal to the rider SA on total and permanent disability due to an accident. Please note that the riders offered by the term plans are mostly meant for total and permanent disability, not partial disability. However, the conditions for getting the benefit vary among insurers.

The accidental total and permanent disability is defined as disability caused by bodily injury, which causes permanent inability to perform any occupation or to engage in any activity for remuneration or profits.

In many circumstances, a waiting period of six months is applied to pay the benefit to the policyholder. As per the norms, the disability that lasts for at least six months without interruption is considered as permanent disability. However, the waiting period is not applicable for loss of sight of both eyes and loss of two or more limbs.

**Our take:** This rider is essentially as important as the term cover. You get benefits when you are alive. Choosing this rider with regular income pay-out will serve you if you are disabled due to an accident.

The premium for this rider ranges from Rs 177-472 for Rs 10-lakh cover across insurers and is relatively cheaper than the premium paid for the accidental death benefit rider. Term plan insurers such as HDFC Life pay the benefits on a periodic basis — monthly 1 per cent of SA for 10 years. Some plans, including Edelweiss Total Secure+, settle the benefit only as a lump-sum.

Canara HSBC OBC iSelect and Baja Allianz eTouch Online Term do not provide customization on selecting the SA for this rider. You have to choose the same SA that you chose for the base plan.

**Accidental death & disability benefit rider**

This comprehensive rider provides additional protection benefits in case you meet with an accident, leading to dismemberment that is permanent/partial or death. The terms and conditions for accidental death and permanent disability due to accident are the same as that for other accidental benefit riders mentioned above.

**Our take:** Insurers Max Life, Aditya Birla and Tata AIA offer this rider. Full rider SA is given to the nominee in case of accidental death or permanent disability.

Tata AIA life and Aditya Birla Sun Life also pay a certain percentage of SA for partial disability for such dismemberment, say loss of single limb. Following the partial disability claim, the death benefit under these riders is reduced by the amount of claim paid. They charge rider premium of Rs 2,360 and Rs 1,682 respectively for Rs 10 lakh coverage.

Though the rider premiums under Tata Sampoorna Raksha and Aditya Birla Digi Shield Plan are relatively higher, one can opt for this as they cover the partial disability due to accident.

**Critical illness rider**

Critical illness (CI) rider provides a lump-sum benefit to the policyholder on diagnosis of critical illness. This will help in covering expenses associated with the illness. Normally, the policyholder will be paid the critical illness benefit amount at the first diagnosis stage itself. Some of the critical illnesses covered under the rider include cancer of a specified severity, first heart attack — of a specified severity, open heart replacement, primary pulmonary hypertension, chronic lung disease and kidney failure. Please note the waiting period of 90 days will be applicable for many CI, from the date of the commencement of policy.

**Critical illness riders**

| Term Plan/(Number of critical illnesses covered) | Rider premium (₹)* | Base plan premium (₹)** |
|---|---|---|
| Edelweiss TotalSecure+ (35) | 4,877 | 10,921 |
| HDFC Life 3D Plus Life Option (19) | 4,888 | 14,501 |
| Max Online Term Plus (40) | 5,039 | 11,564 |
| ICICI iProtect Smart (34) | 6,418 | 11,517 |
| PNB Met life Mera Term Plan (10) | 6,799 | 11,826 |
| Kotak e-Term Life (37) | 8,160 | 11,918 |
| Bharti AXA Flexi Term (34) | 5,517 | 11,328 |
| Aegon life iTerm Plus (36) | 4,226 | 11,432 |

*Annual premium for ₹10-lakh rider cover for a policy term of 30 years
**Annual premium for ₹1-crore term cover for a 35-years-male non-smoker for a 30-year policy term

**Our take:** Though it is advisable to buy a critical illness rider with the term plan, one must look a little deeper into this benefit before buying. There are certain points that you need to clarify — whether the claim is paid on diagnosis or upon producing the hospital bills and how many illnesses of various levels of severity are covered.

Many insurers cover only the specified severity conditions in the illnesses. The number of critical illnesses covered under the rider varies among insurers. For instance, Max Online Term Plus covers 40 critical illnesses, while Kotak e-Term Life and Aegon life iTerm Plus cover 37 and 36 critical illnesses respectively.

The premium charged under the rider ranges between Rs 3,221 and Rs 8,160 for Rs 10 lakh coverage, among insurers. For instance, the rider from Kotak e-Term Life covers 37 illnesses and charges Rs 8,160 while Bharti AXA Flexi Term covers 34 illnesses and charges Rs 5,517. ICICI Pru and Bajaj Allianz Life provide an option called 'Accelerated critical illness'.

Under this, once the claim for CI is paid, the rider will cease and the SA under the base plan is reduced by the extent of CI benefit paid. Only the life insurance cover minus the CI cover stays in force. The subsequent term cover premiums are also reduced proportionately.

However, if you are looking for a comprehensive CI cover, you can look for standalone CI plans offered by general insurers, which come for the same cost, but may cover more illnesses.

**Waiver of premium rider**

All future premiums for the term cover will be waived off if the policyholder is unable to pay due to accidental permanent disability or on being diagnosed with CI.

**Waiver of premium (WoP) riders**

| | Rider premium (₹)* | Base plan premium (₹)** |
|---|---|---|
| **WoP on permanent disability rider** | | |
| Kotak e-Term Life | 354 | 11,918 |
| Edelweiss TotalSecure+ | 695 | 10,921 |
| ICICI iProtect Smart | Free | 11,517 |
| HDFC Life 3D Plus Life Option | Free | 14,501 |
| Bajaj Allianz Life eTouch Online Term | Free | 12,476 |
| Aegon life iTerm Plus | 93 | 11,432 |
| **Critical illness & WoP rider** | | |
| Aegon life iTerm Plus (36 CI) | 4,226 | 11,432 |
| Bharti AXA Flexi Term (34 CI) | 5,517 | 11,328 |
| **WoP on permanent disability & critical illness** | | |
| Max Online Term Plus (40 CI) | 713 | 11,564 |
| **WoP on critical illness** | | |
| HDFC Life 3D Plus Life Option (19 CI) | Free | 14,501 |

*Annural premium for ₹10-lakh rider cover for the policy term of 30 years
**Annural premium for ₹1 crore term cover for a 35-years-male non-smoker for 30 years policy term

**Our take:** This can be considered by those who do not have adequate savings. The rider ensures that your policy remains in force even if you are unable to pay your premiums. ICICI iProtect Smart, HDFC Life 3D Plus Life and Bajaj Allianz Life eTouch Online Term provide this waiver of premium on accidental permanent disability benefit, free of cost.

HDFC Life 3D Plus Life provides waiver of premium on diagnosis of CI. Aegon life iTerm Plus, Max Online Term Plus, Edelweiss Total Secure+ and Kotak e-Term Life charge a nominal cost ranging form Rs 93 to Rs 635 for this rider with base SA of Rs 1 crore.

**Early claim on terminal illness**

Very few term plans offer this benefit, which generally comes free of cost. If the life assured is diagnosed with a terminal illness any time during the policy term, the entire base life cover will be paid to the policyholder/nominee/legal heir immediately. This helps the policyholder pay all his dues before his death. The base cover will terminate on payment of this benefit.

Terminal Illness is defined as the conclusive diagnosis of an illness that is expected to result in death of the life assured within six months. The term plans that offer this benefit include ICICI Pru iProtect Smart, HDFC Life 3D Plus Life, Aegon life iTerm Plus, Canara HSBC OBC iSelect, Aditya Birla DigiShield Plan and SBI Life eShield. ICICI Pru iProtect Smart covers AIDS too.

**Free riders**

Certain insurance companies offer some riders free of cost in their term plans. They are inbuilt with the base cover and no premium is charged separately for the additional benefits. The riders such as early claim on terminal illness, waiver of premium on accidental total permanent disability and waiver of premium on critical illness are offered free of cost by some insurers.

**Free riders**

| | Base plan premium (₹)* |
|---|---|
| **Early claim on terminal illness rider** | |
| ICICI iProtect Smart | 11,517 |
| HDFC Life 3D Plus Life Option | 14,501 |
| Aegon life iTerm Plus | 11,432 |
| Canara HSBC OBC iSelect | 10,156 |
| Aditya Birla DigiShield Plan | 11,906 |
| SBI Life eShield | 15,542 |
| **Waiver of premium on accidental disability rider** | |
| ICICI iProtect Smart | 11,517 |
| HDFC Life 3D Plus Life Option | 14,501 |
| Baja Allianze eTouch Online Term | 12,476 |
| **Waiver of premium on critical illness rider** | |
| HDFC Life 3D Plus Life Option | 14,501 |

*Annual premium for ₹1 crore term cover for a 35-years-male non-smoker for a 30-year policy term

Waiver of premium on accidental total permanent disability is offered free by term plans such as ICICI iProtect Smart, HDFC Life 3D Plus Life and Bajaj Allianz Life eTouch Online Term. No cost is charged by HDFC Life 3D Plus Life for the waiver of premium on critical illness rider.

**Our take:** Getting some benefits for free along with the base cover is an added advantage. You have to compare the premium of the base cover while deciding the right plan. For instance, HDFC Life 3D Plus Life offers three rider benefits free of cost that are worth opting for, though the base premium of the plan is relatively higher. ICICI iProtect Smart scores on lower base premium and provides two rider benefits for free.

All the rider premiums are eligible for tax benefits under Section 80C of the Income Tax Act. The claim amount on death, accidental death, accidental permanent total disability and critical illness are eligible under Section 10(10D). Interestingly, the premium under the accidental death and disability riders enjoy tax benefit, while that for the standalone personal accidental policies sold by general insurers do not enjoy any tax benefits.

Source

Back

***Life insurers' premium growth doubles in first quarter, says Irdai - Business Standard – 14th July 2018***

Premium growth of life insurance players has doubled for the first quarter of this financial year (FY2019), according to data released by the Insurance Regulatory and Development Authority of India (Irdai).

The growth rate in premium revenue for life insurers in the first quarter of 2018-19 touched 10.8 per cent, year on year, compared to an annual premium growth rate of 5.6 per cent in the first quarter of 2017-18.

Analysts said private insurers reported soft growth in premiums, in terms of individual annual premium equivalent (APE) for the first quarter of 2018-19.

Private life insurance players have experienced 21.6 per cent growth in their premiums, year on year, at the end of the first quarter of 2018-19. Life Insurance Corporation posted growth in premium revenue of 6.2 per cent.

During the first quarter of 2017-18, private players' premium revenue grew by 12.2 per cent and LIC posted a 3 per cent growth rate in premium revenues. Premium revenue collection for private and public life insurers have doubled since last year.

Edelweiss Tokio and India First Life were the fastest-growing insurers in the first quarter of 2018-19 in terms of premium revenue, whereas Sahara Life and IDBI Federal Life experienced significant slowdown in premium revenue collection.

"Despite the leveraging of technology for the policy issuance and servicing process, the cost structure has gradually increased in the past couple of years. This was partly on account of higher employee and administrative expenses," said a report by rating agency ICRA.

According to a report by Edelweiss Securities, for the month of June 2018, private players posted growth of 8.9 per cent in their APE, which was driven by a higher base in the previous year. LIC posted a slowdown of around 1 per cent in the APE.

Overall in 2017-18, premium revenue growth industry-wide grew at 12 per cent, year on year, with private players' APE growing faster at 17 per cent, compared to LIC's growth of 8 per cent at the end of 2017-18, according to ICRAs report.

"Overall, growth momentum in the first quarter of 2018-19 turned out to be less than 6 per cent, year on year, with private players posting a subdued growth of less than 5 per cent year on year," said Edelweiss Securities.

Total APE collected by life insurers in the month of June 2018 grew by 4 per cent to Rs 473.3 billion against Rs 454.5 billion in June 2017.

The top performing life insurers, in terms of APE for June, are Edelweiss Tokio, Future Generali Life, DHFL Pramerica and Tata AIG. Aegon Religare, Star Union Dai-ichi, IDBI Fortis Life and ICICI Prudential experienced slowdown in their APE for June, compared to last year.

ICRA expects new business' premium revenues for life insurers to grow to Rs 2,173 billion at the end of 2018-19, compared to Rs 1,939 billion in 2017-18.

Source

While the overall growth momentum is moderating partially due to a base effect, analysts said predisposition towards financial savings would persist, which should help the industry regain momentum in the coming quarters.

Back

## Non-life Insurance

### *General insurance premium collection up 12.2% to Rs 37,349 Crore in Q1 – The Economic Times – 19th July 2018*

General insurance premium collections for the quarter ended June 30, grew by 12.2 per cent to Rs 37,349.40 crore against Rs 33,287.04 crore for the same quarter in FY18.

According to the statistics put out by the insurance regulator IRDAI, standalone private health insurance companies premium underwritten grew by 36.31 per cent to Rs 1,977.84 crore during the quarter under discussion.

It was Rs 1,45,103 crore in the Q1FY8.

The New India Assurance Company Limited topped the list with Rs 6,283.09 crore during the first quarter followed by United India Insurance Company Limited with Rs 3,611.31 crore.

Source

The overall premium for June this year was reported at Rs 12,974.50 crore against Rs 11,495.83 crore in June last fiscal, the insurance watchdog said.

Back

### *Insurers not expecting a flood of claims in Mumbai - The Hindu Business Line – 13th July 2018*

Are people becoming more adept at dealing with torrential rains and water-logging? This could well be the case, according to a number of general insurers. There is increasing awareness amongst policyholders on the dos and don'ts during such calamities, they say.

The insurance industry, therefore, is not expecting a significant spurt in claims despite the heavy rains and water-logging in Mumbai and other parts of Maharashtra in recent days.

"People have grown used to the rains now and try not to leave their homes unnecessarily or take out their cars during heavy showers," said Sanjay Dutta, Chief of Underwriting and Claims, ICICI Lombard General Insurance. While it is too early to hazard a guess on the number of claims that are likely to arise, Dutta doesn't think it will be as high as what cropped up after the floods in August last year. General insurers are estimated to have paid out nearly Rs. 500 crore to policyholders following the Mumbai floods last August, and nearly Rs. 5,000 crore after the floods in Chennai in December 2015.

People typically purchase insurance protection for their vehicles, health and home/shop against natural calamities. A majority of the protection is for motor insurance and much of the business is done through state-owned general insurers.

**Engine damage**
An executive with state-owned National Insurance said the company is getting ready for claims, which are likely to come in from next week.

"During floods and water-logging, the main risk to cars is from engine damage. But, for this, people need to have a policy which provides specific cover for engine protection. Most people are not aware of this," said Puneet Sahni, Head - Product Development, SBI General Insurance, adding that the insurer is not expecting a big spurt in claims this time around.

Sukhesh Bhave, Head - Accident and Health Claims, SBI General Insurance, said that on a year-on-year basis, the percentage of claims for water-borne diseases has reduced from the perspective of insurance companies. "There can be an infectious outbreak after water-logging in many areas. But it is difficult to say at present if the number of claims will increase," Bhave said.

The highest number of claims against water-borne diseases — such as typhoid and paratyphoid fevers, diarrhoea and dysentery, acute gastroenteritis, viral hepatitis, cholera and acute encephalitis — are made during the monsoons.

**Increased awareness**
According to data with SBI General Insurance, the majority of insurance claims, at over 50 per cent, is made by residents of metros. However, the percentage of claims from metros has come down to about 54 per cent in 2017-18 from 59 per cent in 2015-16, while those from non-metros has increased to 46 per cent of all claims.

Source

"This is because there is increased awareness in the non-metro cities on the need to report and treat such diseases," it said.

Back

## Motor Insurance

### *Both originals hold key to vehicle insurance? – The Times of India – 18th July 2018*

Is it necessary to produce two original keys to an insurance company to get compensation if a vehicle is stolen? While the insurance regulator, Insurance Regulatory and Development Authority (IRDA), doesn't specify this and leaves it to individual companies, most of them follow this as a norm citing cases of fraudulent claims.

Like many, it was a surprise for Suresh Kumar (name changed) of Delhi when he called up a government-owned insurance company seeking compensation for his Honda City car that was stolen from outside his house in February. "I never saw this condition of handing out two original keys in the insurance document I had signed. The agent told me the company can reject my claim, if I failed to do so. Fortunately, I had both of them," he recalled.

Even transport ministry officials said there could be cases where people may have lost one of their keys and would have got duplicate ones. "Such conditions should also be weighed while considering each case," said an official.

Some of the other conditions Suresh had to fulfil included getting an authority letter confirming he was the owner of the stolen vehicle despite having a valid RC. Even after all this and a five-month long ordeal, Suresh has yet to be compensated. He has been submitting and resubmitting a series of documents to both the insurance company and the Regional Transport Office (RTO) to get the claim.

"While insurance company representatives assured me of closing the case soon after I escalated my complaint to the highest level, the local police says they will soon submit the 'not-traceable' certificate so that I get get the compensation. They are never keen to investigate the case simply because I have the insurance," the victim told TOI.

An IRDA office bearer said some of the companies may have formed their own norms to reduce their risk. "They must inform the vehicle owners about the conditions so that they don't get stumped when the companies ask for the necessary documents. Consumer awareness is really inadequate," he added.

Source

Even a top executive of the executive of the General Insurance Corporation (GIC) admitted that insurance firms have failed to spread awareness about such conditions.

## Health Insurance

***Trust model for NHPS means one layer of checks gone – Financial Express – 19th July 2018***

It is unfortunate that most of the coverage under the prime minister's ambitious National Health Protection Scheme (NHPS)—10 crore families are to be covered under it, with a Rs 5 lakh annual cover—will take place under the 'trust' model as opposed to the traditional insurance model.

According to a statement by Indu Bhushan, chief executive of the Pradhan Mantri Rashtriya Swasthya Suraksha Mission, a total of 23 state governments have, so far, opted for the trust model—in this model, the premium to be paid by the Centre/states is put into a trust and payments for medical treatment are paid out of this; the trust is run by the state government.

Some like Gujarat and Chhattisgarh have opted for a mixed model in which claims up to Rs 50,000 are dealt with by an insurance company and those above this by the trust. Uttar Pradesh and Bihar, according to The Economic Times, had first opted for the insurance model, but later switched to the trust model.

The fact that so many states are willing to go with the trust model indicates the problems they perceive with insurance companies. In the case of Rajasthan's Bhamashah insurance scheme, for instance, the surge in claims—the claims ratio jumped from 90% in the first year to 170% in the second year—ensured that the insurance company more than trebled its premiums from Rs 370 per family per year to Rs 1,263, when the contract was renewed after the first phase of the two years ended.

While state governments are not too keen on seeing such a dramatic hike in premium payouts, the flip side is that when the claims ratios cross 100%, the trusts will have to be funded for the extra payouts. The PSU insurance company, New India Assurance, also had frequent run-ins with the Rajasthan government and, on one occasion, even de-empaneled 66 hospitals for fraud, only to have the state government rescind this decision within a few hours.

The problem with the trust model, in fact, stems from this very problem. All health insurance schemes face a lot of fraud and, to that extent, the insurance company is a valuable ally in this fight against graft. This is because the insurance company, as well as the reinsurance company, have a lot of skin in the game and, in most cases, also have significant experience across not just various states in the country, but also from overseas.

In which case, not having the insurance company involved is losing an invaluable ally in the anti-fraud campaign. This is not to say that the government-run trusts will allow fraud to go undetected, but, apart from the fact that insurance companies have more experience in catching such fraud, the government and the insurance companies actually have very different goals—the states will probably hire third-party administrators (TPAs) to help run the scheme, but TPAs don't have as much skin in the game as insurance firms.

The government, by and large, wants more people to avail the scheme and operates towards that goal—so, the government wants as many hospitals to be empanelled and as many patients as possible to avail the cashless insurance plan. The insurance company wants the exact opposite, but with sensible contracting—the insurance company can be asked to refund extra premium collections if payouts are below 70%, for instance—you can get the perfect combination of providing insurance to as many people as possible along with the insurance company's greater ability to check fraud.

Source

Back

***Empanelled hospitals to have Ayushman Mitra to assist patients seeking treatment under the scheme - Business Standard – 16th July 2018***

All empanelled hospitals under the Centre's ambitious National Heath Protection Mission (NHPM) will appoint an 'Ayushman Mitra' to assist patients coming to the health facility and avail the packages under the scheme, said a health ministry official.

The Union health ministry has launched a formal process to empanel public and private hospitals to achieve universal health coverage under the Ayushman Bharat-National Health Protection Mission (AB-NHPM) which aims to provide a coverage of Rs 5 lakh per family annually and benefit more than 10 crore poor families.

A senior ministry official said the Centre is simultaneously carrying out beneficiary identification and under the process 80 per cent of beneficiaries, based on the Socio Economic Caste Census (SECC) data in the rural and 60 per cent in the urban areas, have been identified.

Announced in the 2018 Budget, the AB-NHPM was touted as the 'world's largest government funded health care scheme'.

"Each empanelled hospital will have an 'Ayushman Mitra' to assist patients and will coordinate with beneficiaries and the hospital. They will run a help desk, check documents to verify the eligibility and enrolment to the scheme," the official said.

Also, all the beneficiaries will be given letters having QR codes which will be scanned and a demographic authentication conducted for identification and to verify his or her eligibility to avail the benefits of the scheme.

Further, the government recently clarified that NABH is not mandatory for the hospitals to get empanelled under the scheme. However, hospitals will be encouraged to get NABH (National Accreditation Board of Health) pre-entry level accreditation/NQAS (National Quality Assurance Standards) for achieving quality milestones.

The hospital with NABH / NQAS accreditation can be incentivized for higher package rates subject to procedure and costing guidelines.

Also, the basic empanelment criteria allows empanelment of a hospital with a minimum of 10 beds, with the flexibility provided to the states to further relax this if required.

So far, 25 states and UTs have signed MoUs with the Health Ministry for implementing the scheme. The AB-NHPS aims at providing a coverage of Rs 5 lakh per family annually and benefiting more than 10 crore poor families.

The scheme will target poor, deprived rural families and identified occupational category of urban workers' families - 8.03 crore in rural and 2.33 crore in urban areas - as per the latest SECC data, and will cover around 50 crore people. The Modi government is eager to roll out the scheme pan India on August 15.

Source

Back

***Things to consider before buying a cancer insurance plan - The Economic Times – 16th July 2018***

The dreaded C-word is in the news after actor Sonali Bendre disclosed that she has cancer. Earlier, actor Irfan Khan had made his fight against the disease public, adding to the awareness about cancer and its treatment. However, the level of preparedness for managing the financial aspect of the treatment remains low. This despite a clutch of life insurers actively promoting policies that offer targeted protection against cancer. Recently, health insurer Star Health also launched a policy aimed at cancer survivors. “The sensitivity towards buying insurance to cover this disease is low. Distributors do not sell these policies as much as they promote policies with a savings element,” says Anilkumar Singh, Chief Actuarial Officer, Aditya Birla Sun Life Insurance.

**Cancer plans the answer**

Cancer is now responsible for almost one in six deaths globally. Though medical advancements have increased the chances of early detection and successful treatment, the treatment costs are huge. This is where cancer policies can play a role. The sum insured can be as high as Rs 60 lakh. These policies cover cancer right from the early stages to the advanced ones. Future premiums are waived off on detection for three to five years—depending on the plan—to ease the burden on policyholders.

The claim settlement process is simple, as these are fixed benefit policies that hand out a pre-defined sum on diagnosis. As a regular health insurance cover reimburses only hospitalization costs, the cancer policy payout can be used to meet any recuperation-related expenses as well as to make good any shortfall due to loss of income during treatment. Also on offer are increased sum assured options under premium variants, where the cover increases by 10% for every claim-free year. Income benefit is another feature that can be of help during the recovery phase, particularly if the health condition is debilitating enough to force a break from employment. Despite the benefits, the policies have met with moderate response. “In India, a number of cancer products have been launched and uptake of cancer cover over time may increase, with increasing awareness levels, higher incidence of the disease, improving medical support and higher cost of treatment," says Khalid Ahmad, Head, Products, PNB MetLife.

Unlike life insurers' cancer covers, Star Health's Cancer Care plan extends cover to those who have been diagnosed with cancer (stage 1 or 2). Launched as a pilot, the product covers the risk of recurrence, metastasis, second cancer as well as second malignancy unrelated to first cancer, apart from regular hospitalization expenses.

**Beware of the exclusions**

Study the exclusions and restrictions before you take a call. Cancer policies from life insurers restrict coverage for early-stage cancers to 20-25% of the sum insured. Later-stage cancer claims will be eligible for the entire sum assured minus claim paid out, if any, during initial stages. However, some plans also provide a sum assured of 150% in case of major stage cancer.

Check if any particular cancer and recurrent claims of cancer affecting the same organs are excluded. Aegon Life's policy, for instance, does not cover skin cancer. The policies come with waiting and survival periods of 180 days and seven days respectively. Standard exclusions like pre-existing illness apart, cancer caused by sexually transmitted diseases, HIV, or AIDS or arising out of congenital condition and contact with radiation or radioactivity, are not covered under these policies.

**Cancer or critical illness**

A cancer cover will not be of help in case you contract other critical diseases. A regular critical illness policy or a rider, cover a range of serious ailments. "Both are fixed benefit plans but in case of critical illness policies, there is no payout on the diagnosis of an early stage cancer, whereas cancer insurance covers all stages of cancer," points out Santosh Agarwal, Associate Director and Cluster Head, Life Insurance, Policybazaar.com. Therefore, you will have to make a choice on the basis of your health condition as well as family health history. Also ensure you have a basic health insurance policy in place to cover hospitalization.

Source

Back

***Pilot launched to confirm 10 crore Modicare beneficiary families – Financial Express – 13th July 2018***

The National Health Agency (NHA) on Friday said it has launched a pilot for the Beneficiary Identification System (BIS) for confirmation of 10.74 crore poor and vulnerable families eligible for health coverage under Ayushman Bharat, or Modicare.

"Measures like identity validation through a mechanism like BIS will make Ayushman Bharat more accessible and transparent in approach. BIS will ensure that no entitled beneficiary will be deprived of his/her entitlement under the flagship mission," Health Minister J.P. Nadda said. The BIS will apply the identification criteria as per the guidelines of Ayushman Bharat — National Health Protection Mission (AB-NHPM) on Socio-Economic Caste Census (SECC) and Rashtriya Swasthya Bima Yojana (RSBY) database to confirm the beneficiaries.

"Ayushman Bharat will target about 10.74 crore poor, deprived rural families and identified occupational category of urban workers' families as per the latest SECC data, both rural and urban. Additionally, all such enrolled families under RSBY that do not feature in the targeted groups as per SECC data will be included as well," the NHA said in an official release.

The BIS pilot drive was initiated at Sonipat, Haryana. The objectives of the pilot were to test the BIS application in both rural and urban settings and to be able to match the SECC beneficiaries with the application search result, the release said. "The families were also covered in the Additional Data Collection Drive (ADCD), individuals were advised to bring both their ration cards, voter ID card, Aadhaar card or any other government prescribed identity," the NHA said.

A second pilot was conducted after incorporating learnings from the pilot at Dadri, Uttar Pradesh. To make the BIS more robust and user friendly, more pilots are planned at Chhattisgarh and Jharkhand.

"Validation of entitled beneficiary through BIS will ensure timely information up to the last mile, facilitating benefits under Ayushman Bharat. There will be different types of users at national, state and district levels to facilitate the process like Ayushman Mitras, Common Service Centres, Kiosk Operators, Insurance/Third-Party Administrator," Ayushman Bharat Mission CEO Indu Bhushan said.

Source

## Crop Insurance

### *'100% crop insurance coverage by July 31' – The Times of India – 19th July 2018*

The Ranchi district administration on Wednesday directed all Panchayat level officials to ensure 100% coverage of Pradhan Mantri Fasal Bima Yojana in all the villages across the district. With a 50% deficit in rainfall, Ranchi is facing an early season drought.

The sowing dates have extended till July 31 and large ramifications on kharif crops production are inevitable. Keeping the imminent loss in production under consideration, Deputy commissioner Rai Mahimapat Ray said, "All the beneficiaries must be insured by July 20 so that they could benefit from the funds allotted for preventive sowing. All the villages must ensure complete coverage of insurance by July 31."

Rai also instructed the insurance companies to launch awareness programmes at the micro level in Panchayats and blocks across the districts using hoardings, posters and camps for including all farmers into the crop insurance schemes. "The application forms for crop insurance should be made available at the block-level office," he said.

The district administration is also working on a contingency plan for combating the expected drought situation in Ranchi. District agriculture officer Ashok Kumar Sinha said seed distribution among the farmers is being done ahead of the sowing.

Rai also instructed the block level officials to set up POS machines at all block offices to give easy access to fertilisers to the farmers.

Ranchi has recorded a rainfall of 213.8mm till July 18, which is 50% less than the expected rainfall of 431.6mm. Though low pressure systems over the district has helped mitigating the crisis to some extent there is hardly any chance that the overall seasonal deficit will be recovered by the end of monsoon.

Source

**Back**

### *Making crop insurance work for Indian farmers – Mint – 16th July 2018*

In recent months, several places in north India experienced unseasonal dust and thunderstorms, followed by unseasonal rains. This has cost lives and led to extensive crop damage. With freak weather events becoming more common, protection of farmers against these risks figures prominently in the Narendra Modi government's agricultural policy.

From the Comprehensive Crop Insurance Scheme (1985) through the National Agriculture Insurance Scheme (1999-2000), Modified National Agriculture Scheme (2010) and on to the Pradhan Mantri Fasal Bima Yojana (PMFBY) (2016), India's agricultural insurance schemes have undergone several changes in their approaches. Mitigating risk in the agricultural sector has a direct implication for agricultural productivity and farmer welfare. It also intersects with some of the key sustainable development goals (SDGs), such as ending poverty, achieving food security and curbing hunger.

In spite of the government's good intentions, assessments of the PMFBY face several challenges that make processing and verification of insurance claims error-prone and time-consuming. Payouts do not reach farmers at the right time and in amounts commensurate with their losses. Many experts and organizations working in this area are now recommending the use of information and communication (ICT) tools to help farmers regain faith in crop insurance schemes and make them more efficient and transparent.

The International Initiative for Impact Evaluation (3ie) has funded a number of studies that explore the feasibility of using ICTs in the field of agricultural risk mitigation. A 3ie-funded study conducted by researchers at the International Food Policy Research Institute demonstrates how to capitalize on the availability of low-cost internet and the rising use of smartphones. This study looks at the effectiveness of a smartphone-based app amongst 750 smallholder wheat producers across Haryana and Punjab—the second and third highest wheat-producing states in India, respectively.

The novel picture-based insurance (PBI) product welds technology with weather index based insurance (WBI). Farmers are asked to take pictures from the same site with the same view frame two to three times a week throughout the cropping season. The series of images thus created helps insurance agencies examine the condition of the crops. Based on the assessment, payments for losses are directly issued to the farmers' bank accounts. Additionally, the application also provides customized agricultural advisory to farmers by experts, ensuring continual interaction. Initial findings have been promising. In the evaluation sample, farmers demonstrate relatively higher uptake of the PBI.

Another study by the Centre for Budget and Policy Studies (CBPS) examines the PMFBY in Karnataka, which incorporates the use of mobile technology to record and upload the crop-cutting experiments (CCE), a mechanism to determine the overall yield of the village. An Android-based mobile application records and transmits the CCE data using smartphones. This data is transferred to the central crop insurance portal, making it available in real time to government officials and insurance companies. The smartphone data improves data quality as it contains vital information, such as photos and videos of the particular area, geo-tagging and time stamping crop area, probable harvest date, net weight of the produce obtained after harvesting and weight of the wet yield. The use of ICT is expected to quicken compilation of data, verification and faster settlement of claim.

The use of mobile-based technology can also help allied activities. Throughout India, the adoption of livestock insurance is much lower than crop insurance. A similar evaluation study tested an app that would digitize livestock insurance registration in Gujarat. If successful in replacing some components of the offline process, this could significantly reduce the costs and increase adoption. This study by the Institute of Financial Management and Research corroborated the importance of having sufficient infrastructure and network to roll out the product.

ICTs can address not only supply side and process-related bottlenecks but also influence behaviour change on the demand side. For example, ICTs such as the PBI that require farmers to participate may induce farmers to develop a vigilant attitude towards any loss of crop. Indeed, a number of farmers reported that visiting their fields more, even if it was to take photographs, made them more aware of the state of their crops. This may outweigh the commonly assumed risk that farmers may wilfully neglect their farms once these are insured. An encouraging finding from a formative evaluation of the PBI shows that farmers in a randomly assigned treatment group that received PBI were no more likely to report lower yields than a control group that received a regular WBI.

Formative and process evaluations of ICT-based programmes, usually done at the beginning of a programme spanning over a few months, can help policymakers take prompt programme-specific decisions. These evaluations typically have small sample sizes. By identifying various challenges, such evaluations can lead to better programme selection and design that are cost-effective. However, policymakers often demand more rigorous evidence to take informed decisions to scale up ICT-based programmes that aid agricultural insurance schemes. Impact evaluations that are based on counterfactuals with a large sample size, and conducted over a longer period, can surely inform scaling up and replicability of such programmes. And in turn, the resultant socioeconomic impact will help farmers across India.

Source

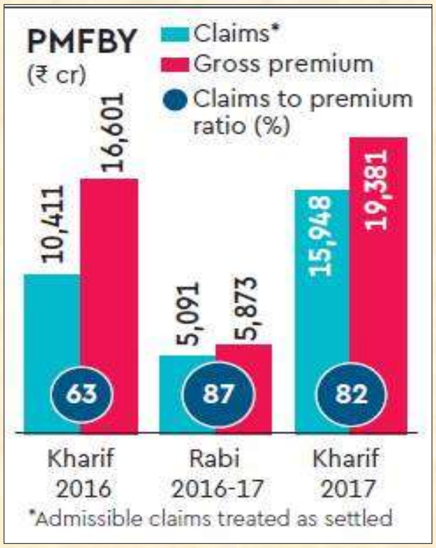
Back

### *Crop insurance scheme: Still too early to judge, let it stabilise, says NITI Aayog member Ramesh Chand – Financial Express – 14th July 2018*

Though the rising claims-to-premium ratio under the NDA government's flagship crop insurance scheme Pradhan Mantri Fasal Bima Yojana (PMFBY) is raising doubts about its sustainability, policymakers argue that it is too early to make conclusions either way. PMFBY was launched during the 2016 kharif season. "A scheme cannot be perfected in one to two years. We should watch it for at least four years (to have a mix of good and bad years)," NITI Aayog member Ramesh Chand told FE in an interview.

Responding to the criticism that farmers in some places are not receiving compensation from insurance firms due to delayed contributions by state governments and consequent claim rejections by insurers, he said that crop insurance should not be seen as "some kind of investment scheme" with guaranteed annual returns. He admitted that some states have indeed faltered on paying their share of premiums on time. He said PMFBY's claims ratio had risen from a healthy 63% in the 2016 kharif season to 82% for the summer crop in 2017.

Under the scheme, farmers contribute about a fifth of the premium while the Centre and state governments are to contribute the balance amount on a 50:50 basis. FE recently reported that PMFBY's claims-to-payout ratio plunged after a good start but has again started looking up of late. While states like Maharashtra,




Karnataka, Odisha, Uttar Pradesh and Haryana have paid close to 100% of premiums for kharif 2017, Andhra Pradesh and Telangana have contributed little.

According to Chand, admissible claims that can "be treated as almost settled" stood at Rs 10,411 crore in kharif 2016 as against gross premium collected of Rs 16,601 crore. In kharif 2017, such claims were Rs 15,948 crore as against premiums of Rs 19,381 crore.

After the crop insurance scheme was launched in 2016, India has experienced near-normal monsoons. A bad monsoon could have inflated the claims drastically, Chand said.

"Crop insurance is a complex problem everywhere in the world. The US Department of Agriculture (USDA) representatives were recently here to discuss India model," Chand said. According to USDA data, the claims ratio for US Federal crop insurance scheme ranged from 40% in 2016 to 157% in 2012, depending on weather and drought conditions.

On the new minimum support price (MSP) policy where there prices are 1.5 times cost of production (A2+FL), Chand said the modalities were being worked out to ensure that the farmers indeed received the MSPs.

Source

In terms of cost effectiveness and minimum distortion in the market, options being discussed include the Bhavantar model (price deficiency support) and a scheme akin to Telangana's 'crop investment support' scheme (Rythu Bandu), which involves payouts based on acreage, he said. "An appropriate decision would be taken by the government soon in this regard," he said.

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### *India: Insurers reap high profit margins from crop business – Asia Insurance Review*

The Modi government's ambitious crop insurance scheme earned around 85% profit, excluding expenditure on administrative purposes and reinsurance, during the 2017-18 kharif (monsoon) season, government data show.

All 17 insurance companies -- five government owned and 12 privately held -- empanelled under the scheme, the Pradhan Mantri Fasal Bima Yojana (PMFBY), posted a margin of INR150.29bn ($2.2bn) as they paid out claims of a mere INR27.67bn against premiums collected of INR177.96bn, reports Indo Asian News Service citing Agriculture Ministry data. Claims lodged, however, totalled INR50.52bn.

During the 2016-17 kharif season, insurance companies earned 44% profit as they received INR157.35bn in premiums and incurred claim payouts of INR88.62bn.

Similarly, insurers earned over 96% profit under another crop insurance scheme—Restructured Weather-Based Insurance Scheme—during kharif 2017-18 as they received INR16.94bn as premium and paid out INR699.3m in claim compensation.

The government and insurance companies cite a "good monsoon" and "higher production" for the low claims. But there were cases of extreme climatic conditions, drought like situations, and floods in many places, said Chandra Bhushan, deputy director of the non-profit Centre for Science and Environment.

"You cannot call it a good year to back low pay-outs since issues such as extreme climate and floods have been reported at many places.

There are issues with assessment, payment dispersal along with technology issues. If claims are so low like 15% (of premium collected), the country's agriculture has no problem. There is no need to have any such crop insurance scheme then," he added.

Source

As many as 33.2m farmers bought crop insurance under PMFBY to insure 33.5m hectares of land during kharif 2017-18.

## Insurance Cases

***Firm fined Rs 50,000 for rejecting health insurance claim – The Times of India – 16th July 2018***

The District Consumer Disputes Redressel Forum has directed a health insurance company to pay Rs 50,000 as compensation for rejecting a genuine claim. The firm was directed to pay the claim amount of Rs 1.17 lakh along with amount of Rs 1.17 lakh along with 9% interest from the date of rejection (April 4, 2015).

Sandeep Dewan, a resident of Sector 11, Panchkula, had taken a Mediclaim policy for himself and his family from Apollo Munich which was operative from December 26, 2010 to December 25, 2011. The total sum assured was Rs 5 lakh.

He had ported the insurance policy on being assured that all the existing benefits of continuity of the policy will be provided to him. He got the said policy renewed for the period of 2011-12, 2012-13, 2013-14 and 2014-15.

In the month of February 2015, his son Animesh Dewan developed some problem and was taken to Alchemists Hospital where he was diagnosed with large ostium secundum ASD with left to right shunt and was treated for the same and discharged on February 23, 2015.

An amount of Rs 1.17 lakh was spent by the complainant for his treatment, however, the said claim was repudiated by the company on April 4, 2015 on the ground, that disease suffered by the son of the complainant fell under exclusion clause and is a congenital disease which is not payable as per the policy.

Dewan had claimed that his son had no problem till the age of 8 years and, therefore, the same is not congenital disease. Thereafter the matter was carried to Insurance Ombudsman who awarded Rs 57,500 the basic sum assured of the policy of National Insurance.

It is also the case, pre-existing disease is covered after 36 months of continuous coverage and the complainant had got renewed the policy four times.

In their reply, insurers said congenital disease is not covered under the insurance policy therefore, the claim was repudiated. The Ombudsman award was accepted and the amount of Rs 57,500 was paid to the complainant in full and final settlement of the award. On these lines, the cause is sought to be defended.

The forum held that the reason for repudiation is the disease was covered under the exclusion clause as it was a genetic disease, but the insurer had not brought any record that any genetic tests were done and, therefore, the finding of being a congenital disease was arrived at.

There is no such record. It is mere saying of a doctor who diagnosed the disease as 'atrial septal defect', therefore, it was alleged to be a congenital disease, the forum added.

As the complainant claimed that his son had not suffered any disease till the age of 8 years, genetic tests were mandatory to arrive at a conclusion that it was a congenital disease.

**Source**

The forum held that keeping in view the fact that genetic disorder tests were not conducted, the complainant is entitled to get full relief.

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## Pensions

***EPFO invested nearly Rs 50,000 crore in ETFs till June 30: Government – Financial Express – 18th July 2018***

Retirement fund body EPFO has invested Rs 48,946 crore in exchange traded funds (ETFs) till June 30, 2018, parliament was informed today. The Employees' Provident Fund Organization (EPFO) is investing in ETFs based on Nifty 50, Sensex, Central Public Sector Enterprises (CPSEs) and Bharat 22 indices. The body does not invest in shares and equities of individual companies.

"The total amount invested by EPFO in ETFs as on June, 2018 is Rs. 48,946 crore," Labour Minister Santosh Gangwar said in written reply in the Rajya Sabha.

The EPFO's apex decision making body the Central Board of Trustees (CBT) at its 207th meeting held on March 31, 2015 decided to invest only in ETFs in the category of equity and related investments. In a separate reply, the minister said,"

The CBT in its 222nd meeting held on June 26, 2018 has considered a proposal for insertion of paragraph 68HH in the EPF Scheme, 1952 to enable a member who is no longer in employment for a continuous period of one month, to avail (withdraw) 75 per cent of the total fund standing to his credit."

According to Paragraph 69(2) of Employees' Provident Funds (EPF) Scheme, 1952, a member can withdraw the full amount standing to his credit in the fund on ceasing to be an employee in an establishment for a continuous period of two months immediately preceding the date on which he makes an application for withdrawal.

Source

The requirement of two months waiting period shall not, however, apply in cases of female members resigning from the services of the establishment for the purpose of getting married.

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## IRDAI Circular

Source

The circular regarding constitution of working group on life insurance product regulations is available on IRDAI Website.

Source

Gross direct premium non-life insurance underwritten for and upto the month of June, 2018 is available on IRDAI website.

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## Global News

### *China: 80% of those aged 26-45 have bought non-life cover – Asia Insurance Review*

The main group of non-life insurance customers in China is formed by those aged 26-45, with 79.9% of those in this age bracket having purchased insurance cover, according to a report issued by Insurance Association of China and I Research Consulting Group.

The "2018 China Internet Property Insurance User Research Report", based on online survey responses from 5,000 respondents, show that the proportion of insurance users with cars, housing, children and a love for travelling, is 8.6, 6.5, 5.7 and 6.8, percentage points higher than that for the overall number of insured. At the same time, the more risk factors are faced by customers, the higher the insurance coverage rate, indicating that users have a clear understanding of insurance.

In addition, the proportion of insurance users with social security is higher by 4.5 percentage points over that for the overall number of insured. This indicates that they understand that social security cannot fully meet their needs and they choose to supplement social insurance with commercial insurance.

Insurance companies should thus actively explore the potential all-round needs of users, such as education, property safety, medical care, etc, to plan insurance plans covering the entire family life cycle.

**Timing of insurance purchases**
The report also says that the highest proportion of those who buy insurance choose to do so in the period just before and after the expiry of an existing insurance policy. The proportion of users during this period has reached 36%.

Thus, insurance companies must not only remind users to renew their insurance before the expiration date, but also develop advanced technology, online unified policy management, and big data to personalize the insurance purchase timing of different users, and conduct targeted insurance product recommendation.

**Most popular**
The most popular online non-life insurance products are accident and health, motor, and capital protection policies.

The report notes that among the insurance companies from which customers had bought cover in the past year, the top three insurers dominated, accounting for 70% of all purchases. The ratio rose to 98% for the top 10 insurance companies. The reasons for these could be that large insurers benefit from a wider range of insurance sales channels, rich product design experience and a sound claims process.

**Source**

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