भारतीय बीमा संस्थान INSURANCE INSTITUTE OF INDIA

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INSUNEWS

- Weekly e-Newsletter

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● Quote for the Week ●

"Confession of errors is like a broom which sweeps away the dirt and leaves the surface brighter and clearer. I feel stronger for confession. "

– Mahatma Gandhi

INSIDE THE ISSUE

Insurance Industry

Govt looks to raise Rs 11,000 cr from listing of insurers – The Hindu Business Line – 3rd February, 2017

The Government plans to divest Rs. 11,000 crore worth of stake in PSU general insurance companies to meet the steep disinvestment target of Rs. 72,500 crore next fiscal.

Of the total target, Rs. 46,500 crore will be mobilised through minority stake sale and Rs. 15,000 crore from strategic disinvestment.

The goal of Rs. 72,500 crore is higher than Rs. 45,500 crore the government has estimated to raise in the current fiscal.

"Besides strategic and minority stake sale, Rs. 11,000 crore has been budgeted from listing of general insurance companies. The department will make best endeavour to meet the overall Budget target," Disinvestment Secretary Neeraj Gupta told PTI.

Recently, the Cabinet approved reduction of stake in five state—owned general insurance companies to 75 per cent by listing them on the bourses.

The Cabinet Committee on Economic Affairs, headed by Prime Minister Narendra Modi, gave nod to listing five government-owned general insurance companies — New India Assurance Company, United India Insurance, Oriental Insurance Company, National Insurance Company and General Insurance Corporation of India (GIC).

The government shareholding in these companies will be reduced from 100 per cent to 75 per cent in one or more tranches over a period of time.

As for strategic disinvestment, the Department of Investment and Public Asset Management (DIPAM) has already identified companies and initiated process in some cases.

The government has invited bids for consultants and legal advisor for strategic sale of PDIL and NPCC, besides Pawan Hans.

As for the National Projects Construction Corporation (NPCC), the government has decided to disinvest 100 per cent of its shareholding through merger with a similarly—placed CPSE.

Similarly, the government has sought applications for engagement of an advisor and a legal advisor for 100 per cent strategic disinvestment of Project Development India Ltd (PDIL) and Hindustan Prefab Ltd (HPL).

The last date for sending in application for PDIL and NPCC is February 3 while for HPL, it is February 6.

Source

Back

Insurance bought, sold and serviced thru an app - The Hindu Business Line – 3rd February, 2017

How often does a customer patronise an insurance company, specifically because of its over-the-top service? Chances are it may not be many times.

Sajan Jacob, a veteran with 15 years of experience in the industry, knows this only too well.

The entrepreneurial bug bit him, and it made immense business sense to quit service and explore options.

New service app

The result: acquisition of space in the Kerala Startup Mission incubator here and launch of Steve Technologies, a fin-tech start-up. The product: i-app, a complete insurance Android app free for download.

"As an individual, I would like to keep track of my finances and remain updated on insurance and investments as they play a vital role in my life," Jacob explained his case to BusinessLine.

"In this era when technology redefines lives, we wish to use the app to rephrase the adage 'insurance is never bought but sold' as 'insurance is bought, sold and serviced by i-app."

Another mission is to prove that 'insurance pays' since i-app helps customise one's portfolio and keep track of investments at any given point in time.

Good response

The app has generated good response in the few weeks since the soft launch. It has been downloaded 1,000-plus times and enjoys a 4.9 rating. Steve Technologies plans to roll out an iOS version soon.

It is keen on support from angels/VCs that match its expectations in terms of reliability and credibility.

It has only scratched the surface of the digital insurance industry; its best is yet to come, Jacob says.

i-app is not just an insurance planning tool but features servicing forms, insurance and financial calculators, daily NAV updates, latest industry news, a customised insurance portfolio and IRDAI updates.

The killer feature, according to Jacob, is the Insurance Pal, a personal insurance advisor which helps exclusively manage the user's entire portfolio assuring maximum benefits.

Continued service

Insurance companies make profits primarily when a policy lapses, he pointed out. Given the current complex and challenging demands, they also tend to overlook the need for continued service to policyholders.

It is here that the i-app hopes to intervene effectively. It allows the customer to have better control of insurance which could be diversified across different companies and types.

"My expertise and exposure working with the industry, both at the national and international levels, have been a key factor in the design and development of the app," Jacob says.

Source

"I have tried to do it from a customer's perspective. I hope the app makes companies realise the need to interact and provide better services to their customers."

Back

Life Insurance

Renewing your life insurance policy is mandatory – Deccan Herald – 6th February, 2017

On November 20, 2016, the country woke up to one of its worst rail disasters when the Indore-Patna Express train derailed in Kanpur Dehat district of Uttar Pradesh in which as many as 142 people were killed and more than 200 injured.

Amongst the passengers who lost their lives, few were insured with Bajaj Allianz Life Insurance. One of the deceased passengers who was a policyholder had paid only one annual premium. He had not renewed his policy which was due for renewal on August 17, 2016; neither had he paid the premium during the 30-day grace period from the date of renewal. The mishap occurred on November 20, 2016, and since his policy had already lapsed, his nominee was paid the available account value of Rs 4,49,000.

Grim reminder

However, had he renewed the policy within the stipulated time period, the nominee would have received the full sum assured of Rs 50 lakh in his policy. This is a grim reminder to all those who do not keep their policy in force by *paying regular premiums and as a result their dependents are deprived of the full sum assured in the event of such unfortunate occurrence.*

A life insurance is a contract, between you and your insurer, under which you will pay the premiums regularly for a certain period of time and in return, the insurer will provide financial security throughout this period.

Life insurance is one of the most important risk protection tools, especially during uncertain times and failure to keep this contract in force has an adverse impact on the beneficiaries and dependents of the policyholders.

A life insurance policy is supposed to have lapsed when the customer does not pay the renewal premium within the specific time period. Typically, the insurer sends a reminder and gives a grace period of a month, during which the life insurance cover is still active. However, once the grace period is over, the insurance cover ceases.

Traditional policies like endowment plans, term insurance and whole life insurance can be revived. This, however, does not hold true for a single premium policy, since the entire amount is, by definition, paid up front in a single instance.

The Insurance Regulatory Development Authority of India (IRDAI) has recently come up with a new regulation, which allows investors to revive their lapsed ULIP (Unit Linked Insurance Plan) within two years from the date of discontinuation of the premium payments, no matter when the lock-in period ends.

Non renewal of a policy defeats the basic purpose of buying insurance, as it leads to loss of life cover and suspension of other policy benefits. Insurers, today, are adopting innovative techniques to make sure that customers renew their policies on time and do not lose out on benefits such as continuance of life cover, tax advantages, and other benefits.

They ensure that a timely communication via e-mails, SMS, IVRS, calls, letters, etc., is sent, informing the customers about their renewal due date. These days, insurers are also making it a point to improve their distribution network and introduce multiple touch points by adopting technology. This is a significant step forward since it creates ease of renewal payment, creating a better experience for the customer.

The industry in the recent past has also seen a series of revival campaigns, which encourages customers to renew their lapsed insurance policies by extending special benefits.

Special benefits

Such campaigns offer to renew lapsed policies which fall under their prescribed revival period. Special benefits such as a partial waiver of interest amount on traditional policies, relaxed underwriting norms by simplifying the DGH (Declaration of Good Health) form and waiving medicals for some policy holders are extended under such campaigns.

Some of the ways in which a policy holder could ensure that he's diligent in the premium payments include opting for Electronic Clearing Service (ECS), pay premiums through bank ATMs, opting for auto-pay service through your credit card, activate email-alerts and SMS-alerts etc.

One of the most important points that one must keep in mind is that most companies prefer to send premium reminders on postal address; therefore, updating your postal address (if need be) from time to time in order to receive the letters of premium reminders from your insurer.

Source

It is, therefore, in the interest of those who have taken a life insurance policy and care for their dependents to prevent against lapsed policies. This way they can claim the benefits for which a life insurance policy is taken i.e. "protection" for their near and dear ones.

Back

General Insurance

Motor insurance in the new world of connectivity – The Hindu Business Line – 3rd February, 2017

If you use your car for the occasional weekend outstation drive every two months, should you pay the same motor insurance premium as someone who drives over 50 km daily?

Motor insurance in India is primarily sold based on the make and claims record of the vehicle model as well as its manufacturing year and registration. However, these factors are largely generalised and an impersonal method way of determining premium.

A slew of connected devices which run on the internet of things (IoT) have been making their way to improve everyday lives. Be it smart watches, TVs, telematics in cars, smart fridges, fitness devices or smartphones, almost every device can be connected to the internet. They monitor our habits and help us make smarter and healthier decisions.

Telematics for smart driving

This phenomenon of using sensors to detect behaviour and packing an internet connection into any physical object has huge implications for the insurance industry. Actuaries can use these IoT connected devices to assess individuals' lifestyles/choices for better precision in pricing of insurance policies.

Telematics are popular in the car industry. Connected devices have been fitted into millions of cars worldwide through which drivers can opt for telematics-based insurance policies.

Over 12 million such policies are issued globally with the US and UK being the biggest markets. We have just kick started sales of motor insurance policies with an option of adding telematics free of cost for those customers opting for add-on covers in India and expect this to gain traction.

These connected devices installed in the car monitor speed, acceleration, braking and cornering to provide driving summary and real time information on driving behaviour. It also keeps track of the vehicle using geo fencing to provide real time information. The insights not only make the drive safer but also helps save on fuel costs which account for a significant proportion of costs. Additionally, real time information transmitted to the insurer ensures risk-based pricing on actuals and prevents fraudulent auto and personal injury claims. This can help reduce motor insurance premiums. It will also set a precedent for launching pay-as-you-drive insurance policies in India. Here, customers who drive less (and better) may shell out significantly lower premiums than those with bad driving habits.

In a country which reports the highest number of road accidents in the world, telematics improve driving behaviour. The fact that one is being monitored by telematics coupled with the fear of losing preferential insurance rates, will ensure cautious driving and fewer accidents.

Ensures passenger's safety

Beyond cost-savings on fuel and insurance, connected cars can end up saving lives. In cases of high speed, the device triggers a call to check driver and passengers' safety. If needed, the driver can alert emergency services by clicking the insurer's app on his mobile device which can then track the mapped GPS location and get there quickly.

Similarly, the increasing use of personal wearable devices can revolutionise health insurance. Fitness trackers such as Fitbit, Garmin, Misfit and Jawbone keep tabs on the levels of activity and diet. Insurers can use the data from these devices to reward healthy and fitness-conscious customers. They are then rewarded and pay significantly lower premium than those who are lax.

Data sharing

The moot point with connected devices relates to the willingness of individuals to monitor and share data. However, recent reports suggest that customers are happy to do this so long as they are assured of benefits like lower premiums or faster claims settlements. According to a McKinsey survey, 79 per cent of people interviewed in China, Germany and the US said they did not mind sharing car data if they saw value in return. Nearly 70 per cent were even willing to pay for data collection services that offered time-saving conveniences such as a parking spot finder and predictive maintenance services.

Source

Insurers on their part will have to invest significantly to keep pace with these technological advancements. They must ensure that customer data is fully secured and encrypted. IoT devices will soon be a mainstream part of everyone's lives with huge benefits.

Back

Times Internet launches ETinsure.com to simplify insurance buying, claims – The Economic Times – 4th February, 2017

Launching today, ETInsure.com, an online insurance platform, makes it simple for anyone to buy the best insurance plan by providing a transparent and easy-to-understand buying experience. Starting with car and two-wheeler insurance, it will offer insurance plans from seven popular insurance companies.

"The launch of ETInsure.com is in line with our mission to simplify the financial journey of consumers in India. Insurance is a critical part of this mission as the current experience of buying and owning an insurance policy is cumbersome and riddled with rampant miss-selling from pushy sales agents," said Mukesh Kalra, who is leading Times Internet's foray in fintech.

Designed as a mobile responsive website, ETInsure.com provides a seamless experience - whether you are in front of a desktop or on your mobile. You can buy the policy without any paperwork. The policy is issued instantly and the coverage starts within minutes.

DATA-LED SUGGESTIONS TO HELP BUY RIGHT POLICY

By talking to more than 100+ consumers, ETInsure team found that while buying a car or two-wheeler insurance, consumers mostly buy products with lowest premiums, ignoring the fact that lowest priced plans would usually put a very low value to their vehicle. This meant consumers are under-covered and they do not even realise it until they make their first claims.

ETInsure.com solves this problem by giving a suggested value of the vehicle which takes into account multiple data points such as the age of the vehicle, buyer preferences, number of quotes and competitive prices. Consumers can then customise their quotes with a single click to get the best policy with suitable coverage.
In addition to this, consumers also get data-led suggestions on the type of add-ons they should attach to their policy, which can increase their coverage at a very nominal cost.

DECODING THE FINE PRINT

Another important aspect is the fine print and complex wordings of the policy document, which intimidates most people. ETInsure.com digitally decodes the terms and conditions of every policy and presents them in simple visuals and easy to understand language bringing the much needed clarity. This provides the required confidence to consumers, making the buying experience more positive and worry-free.

Further, once bought, there is an expert team to help the consumer during claim settlements. "We have redesigned and re-engineered the entire insurance stack from the ground up. We are excited to empower our consumers to make informed decisions about their insurance needs, so that they feel positive about their future - as they are well-covered," said Shankar Nath, principal officer & head, ETInsure.com

Source

Launching with car and two-wheeler insurance, ETInsure.com will soon add health, life and travel insurance products to its online platform.

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Govt approves Revenue Insurance Scheme for plantation crops – The Economic Times – 8th February, 2017

The Commerce Ministry has approved the pilot Revenue Insurance Scheme for plantation crops for protecting the growers from the risks such as yield loss, pest attacks and income decline caused by fall in prices, Parliament was informed today.

The Price Stabilization Fund (PSF) Scheme, 2003 was closed on September 30, 2013 and Revenue Insurance Scheme for Plantation Crops (RISPC) is an improved form of the PSF, Commerce and Industry Minister Nirmala Sitharaman said in a written reply to the Rajya Sabha.

She said that RISPC was approved on September 16 last year and will be implemented on a pilot basis for two years covering tea, coffee, rubber, cardamom and tobacco in eight districts in West Bengal, Kerala, Karnataka, Andhra Pradesh, Assam, Sikkim and Tamil Nadu by the commodity boards.

"Department of Commerce has recently approved the pilot RISPC for protecting growers of plantation crops from the twin risks of yield loss due to adverse weather parameters, pest attacks etc and income loss caused by fall in international/domestic prices," she said.

On the basis of performance of the pilot project, the minister said, the scheme will be considered for extension to other districts.

Replying to a separate question on industrial corridors, Sitharaman said as per the institutional and financial framework for the development of these corridors approved by the government, land acquisition/ pooling/ procurement and making it available for projects is the responsibility of the concerned state.

Citing example of Delhi Mumbai Industrial Corridor, the minister said for the Ahmedabad Dholera Special Investment Region in Gujarat, 1706.13 hectares of land has been transferred by the state to Dholera Industrial City Development Ltd.

Source

For the Visakhapatnam Chennai Industrial Corridor (VCIC), the land under possession is 1,887 acres and the land under acquisition/alienation is about 24,056 acres, she added.

Back

Health Insurance

Grim diagnosis of govt health cover – The Telegraph – 5th February, 2017

India's government-funded health insurance schemes have increased patients' access to hospitalisation but failed to reduce their households' personal out-of-pocket healthcare expenses, the most comprehensive review of the schemes so far has found.

The review by public health analysts has found increases ranging from 12 per cent to 244 per cent in hospital-based services across the country since the schemes were launched a decade ago. But there is no robust evidence to show that they are protecting patients' households from financial risks of healthcare costs, the analysts said.

The Centre and several state governments have cumulatively spent over Rs 37,000 crore since 2007 on the Rashtriya Swasthya Bima Yojana (RSBY) that pays up to Rs 30,000 each year in hospitalisation costs for each covered household.

The RSBY - which covers 41 million households and other state-funded schemes, some of which pay higher hospitalisation amounts - accounts for nearly 14 per cent of the 15 per cent of India's population protected by health insurance.

The new review amplifies suspicions among health experts that the schemes are not financially protecting households either because their payment caps are too low and do not cover many hospital-based services or because nearly 70 per cent of healthcare expenditure does not require hospitalisation.

"We don't see any substantial gains from this model of healthcare delivery where governments pay for health insurance," said Shankar Prinja, associate professor of health economics at the Postgraduate Institute of Medical Education and Research, Chandigarh, who led the review.

Prinja and his colleagues analysed the pooled results of 43 independent studies from across India since 2010 to evaluate the effectiveness of the insurance schemes amid concerns that over 60 million people across India are pushed into poverty every year because of healthcare expenses.

Households have used the RSBY or the state-funded schemes to seek treatment for cardiovascular, gastrointestinal, gynaecological, kidney, and ophthalmic illnesses and cancers, among other health disorders. But the treatments for many disorders may cost more than RSBY's cap of Rs 30,000 or the caps imposed by state-funded schemes.

"The Rs 30,000 may evaporate in two days, and the patients' families have to pay for the rest of the treatment and stay," said Kappoori Gopakumar, a lawyer with the Third World Network, a policy analysis and research and advocacy organisation tracking healthcare issues. Gopakumar was not involved in the review.

Nine among a set of 13 studies reviewed by Prinja and his colleagues showed no reduction in out-of-pocket healthcare expenses among households enrolled in the insurance schemes. Five of seven studies found an increase in out-of-pocket expenses.

But two studies in Andhra Pradesh and Karnataka have reported a decline in out-of-pocket expenses.

The insurance schemes allow patients to seek treatment in private sector hospitals, and the patterns of hospitalisation suggest that private hospitals may at times drive the demand for hospital-based care.

"Such schemes may incentivise the private sector into providing unnecessary healthcare," said Sakthivel Selvaraj, a senior health economist at the Public Health Foundation of India, New Delhi, who was not associated with the review. "Some private hospitals may use the schemes to recommend hospitalisation even when not required."

The review, published this week in the journal PLOS One, found that patients lean towards private hospitals. More than 70 per cent of claims under the RSBY in Madhya Pradesh, Gujarat and Uttar Pradesh came from empanelled private hospitals. Over 95 per cent of claims in Bengal, Bihar, and Haryana were linked to private hospitals, the review has said.

"This public-funded insurance-driven healthcare delivery model is failing, it is not sustainable," Prinja said.

The review comes against the backdrop of a debate among policy-makers, health experts, and economists on the best model for India to introduce universal healthcare promised by the former UPA government about five years ago and by the NDA government over two years ago.

A panel of experts had in 2012 recommended that the government should introduce universal healthcare to cover out-patient services, medicines and hospitalisation paid through tax revenues. But other experts have argued for a mix of government-funded and private health insurance.

Source

All agree the Indian government needs to increase its funding for healthcare. But the Economic Survey, released last week, pointed out that the government's annual expenditure on health has remained nearly stagnant below 1.5 per cent, while the world average is 5.99.

"Out-patient services and medicines make up most of healthcare expenditure - and none of the existing insurance schemes cover these costs," said Sakhtivel. "For universal healthcare, the government will have to double, then triple its healthcare expenditure."

Back

11.5 lakh workers get into ESIC pool after Labour Ministry announcement – The Pioneer – 6th February, 2017

The number of workers eligible for Employees' State Insurance Corporation (ESIC) in Gurugram has more than doubled after the Labour Ministry's announcement on January 1 to raise the salary of beneficiaries to Rs.21,000 per month from the earlier limit of Rs.15,000.

Post the Ministry's announcement around 11.5 lakh workers got into the ESIC pool. Before this, only five lakh workers were eligible for the ESIC in the city. Industrial workers and their dependents can avail of the benefits of the ESIC.

Gurugram has three major industrial hubs, which are situated in Udyog Vihar, Manesar and Khandsa. The ESIC has also approved a scheme named Scheme to Promote Registration of Employers or Employees (SPREE). It intends to promote registration of factories and employees coverable under the ESI Act, 1948.

As per the notification, this one-time drive intends to extend social security benefits to all those eligible under the Act, who have till now been kept out of the ESI coverage and is open for the period from December 20, 2016, to March 31 this year.

The salient feature of the scheme is that the employers registering during the period will be treated as covered from the date of registration or as declared by them, the newly registered employees shall be treated as covered from the date of their registration and this will not have any bearing on actions taken or required under ESI Act, if any, prior to December 20 last year.

On the other hand, industry representatives said the move will not benefit workers much. "Unless the quality of medical facilities improves increasing the wage ceiling will not be a great decision," an industry representative said on the condition of anonymity.

"This is a good move as older employees need more medical attention and it should be left to the workers to decide if they want to stay with ESIC after their salary crosses the threshold," DK Mishra Director, ESIC said.

Source

"Every second Wednesday of the month we have started 'Janta Darbar' at our office in Sector 34 where any employers or employees can file their complaint with us and we will rectify their ESIC related issues as the earliest," he added.

Back

Banking

There's room for banks to cut loan rates but bankers differ: RBI governor – Financial Chronicle – 9th February, 2017

With the Reserve Bank of India (RBI) maintaining a status quo in the repo rate on Wednesday and changing its policy stance from accommodative to neutral, banks have indicated that the chances of further cutting lending and deposit rates are bleak.

However, at his press conference on Wednesday, RBI governor Urjit Patel told reporters that there is still scope for banks to further lower lending rates, "There is still scope for lending rates to come down since our policy rates have come down by 175 basis points since January 2015 while the weightage average lending rates have fallen by 80 to 85 basis points," Patel said when asked whether he expected banks to lower lending rates.

The RBI governor's remarks came against the backdrop of lowering of MCLR (marginal cost of lending rate) by several PSU banks, among them the State Bank of India which cut this rate by 90 basis points last month.

The Monetary Policy Committee (MPC) in the sixth bi-monthly monetary policy (the last for this fiscal) kept its benchmark policy repo rate unchanged at 6.25 per cent and changed its policy stance to neutral from an earlier accommodative stance citing concerns on rising fuel prices, base metal prices as well as on rising dollar strength which could feed into further imported inflation. A neutral stance means that there is a lower chance of a rate cut in the near future given the rising inflation risks.

With regard to improving transmission, the MPC underlined the steps that need to be taken by the banking sector and the government, namely resolution of bad loans, faster recapitalisation of banks and fuller adjustment of interest rates on small savings schemes.

The last time the repo rate was cut was October 4, 2016, when the RBI had reduced it by 0.25 per cent. However bankers differed with the RBI governor's views.

R.P. Marathe, managing director and chief executive officer of state-owned Bank of Maharashtra said, "The future course on MCLR will be purely governed by trends in underlying parameters like the marginal cost of funds, negative carry and cost of operations. However, we are confident that any uptrend in the credit off take will be fully supported by banks."

R.K. Bansal, executive director at state owned IDBI Bank said that the repo rate is not a very big function for banks to reduce or increase their interest rates. He said that since the last one month, in January most of the banks have reduced their MCLR substantially while some banks have even reduced from February 1.

Bansal said that while deposit rates have been falling, banks cannot lower them further as they compete with government small savings schemes where the interest rates are higher. "If inflation remains at 4-5 per cent, banks cannot expect to reduce deposit rates below 6 per cent or so if real effective interest rate needs to be 1.5-2 per cent. So, there is not much scope beyond 6 per cent to lower term deposit rates," Bansal said, adding: "Banks have been reducing the interest rates on loans, but if we reduce the interest rate on the entire loan book, it impacts profitability."

Arundhati Bhattacharya, chairman State Bank of India (SBI) said, "RBI view is right that monetary policy transmission will improve further if NPAs are resolved, capital position of banks improves and small savings rates are more market driven."

In the last two months, most banks cut their MCLR rates as they witnessed an influx of deposits in line with their market share, largely in the form of Current Account and Saving Account (CASA) deposits. According to estimates, about Rs 15 lakh crore in junked currency notes has come back into the banking system post demonetisation.

MCLR is the benchmark rate to which all loans are linked. A cut in MCLR helps all new borrowers get the benefit of lower interest rates for loans. MCLR is the method according to which banks will have to price the loans on marginal cost of deposits rather than the average cost of deposits.

Source

SBI, which has cut its one-year benchmark MCLR by 0.9 per cent, is offering home loan rates at 8.65 per cent per annum for loans up to Rs 75 lakh and 8.60 per cent per annum for women borrowers. For loans above Rs 75 lakh, the interest rate would be 8.70 per cent per annum for male borrowers and 8.65 per cent per annum for women borrowers.

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Regulation

Hits and misses in Irdai's customer protection draft – Mint – 8th February, 2017

On 1 February, as the finance minister presented the budget for 2017 that gave marginal relief in income tax, the Insurance Regulatory and Development Authority of India (Irdai) put up draft regulations for protection of policyholders' interests. These regulations, which will replace the older regulations of 2002, are meant to protect the interests of the policyholders and to ensure they are treated fairly; at the time of sale, by making all the relevant disclosures; and at the time of making a claim by specifying the turnaround time for claims settlement.

The draft is an improvement over the current rules, specially in terms of claims settlement, but it falls short in terms of protecting policyholders' interest at the point of sale. Read on to know why, but first start with the new turnaround time on claims settlement.

Claims settlement

Current rules state that once a claim is made under a life insurance policy, the insurer should complete the formalities of asking for all documents or queries within 15 days, in one go and not in a piecemeal manner. The draft has not changed this. But the claims settlement period has been reduced from 30 to 15 days. According to the draft, a claim under a life policy will be paid or disputed giving all the relevant reasons, within 15 days from the date of receipt of all relevant papers and the required clarifications.

What happens if an insurer wants to investigate the claim further? Current rules allow insurers up to 6 months to investigate the claim but they can take more time, citing reasons such as lack of documents.

According to the draft proposal, claims that warrant investigation should be completed in 90 days from the date of receipt of all relevant papers and required clarifications. And, such claims will be settled within 270 days from the date of lodging the claim. "The time taken for investigation by insurers will get reduced from 6 months to 3 months. Further, an overall turnaround time of 270 days for settlement of claims is proposed. This is good for claimants as it will be mandatory for the insurer to decide the claim within 270 days, even if there is delay on the part of claimant to submit the required documents or clarifications," said C.L. Bhardwaj, chief compliance officer and chief risk officer, Bharti AXA Life Insurance Co. Ltd.

Further, the proposal states that where a claim is due for payment but the payment cannot be made for whatever reason, the insurer will pay interest at a rate that is 2% above the bank rate. Currently, the bank rate is 6.75% per annum.

In case of health insurance, the claims settlement will be as per health insurance regulations and any delay in payment will invite the same penalty. Even for other lines of insurance such as home and motor insurance, there is some good news. "A surveyor is appointed by the insurer to investigate the claim in motor and home insurance. The surveyor prepares a report, which is the basis on which an insurer takes a decision to pay or reject the claim. This report is meant to be shared with customers but that is not the practice. There are many cases where despite requesting for this report the customer is not given a copy," said Kapil Mehta, co-founder, SecureNow Insurance Broker Pvt. Ltd.

"The guidelines require the report to be shared, which is good, but do not put a penalty on delays in sharing. This penalty is necessary to give teeth to the guideline," he added. Further, the rules state that a surveyor should be appointed within 72 hours of lodging the claim.

Loose ends at point of sale

The draft states that every insurer will display the service parameters as approved by its Board on its website and keep the same updated. The service parameters include steps taken to ensure that during a policy solicitation and sale, the prospects are fully informed and made aware of the benefits of the product being sold so that the benefits or returns of the policy are not misstated. It would also contain the procedure for expeditious resolution of complaints. But according to some this is not enough. "We may need to go beyond disclosures to unravel the product complexity to help customers connect with them quickly. Policyholder interest would be best served if all product complexities are detailed and approved at regulator's level and all benefits and conditions are explained in the simplest terms at the customer disclosure level," said P. Nandagopal, founder and chief executive officer, OpenWorld Insurance Broking Ltd.

The draft also proposed a key feature document that will carry the main features of the policy in simple language and in bold and attractive print. This document should make the policyholder aware of the most important features, including the policyholder's right to avail the free-look period to cancel the policy. But according to Nandagopal, this too falls short. "A customer choosing a savings cum protection plan through Ulip or traditional plans would like to know how much is the return earned on her savings, how much is the mortality cost specific to her age and health condition and how much are all the other expenses . If this information is available, a customer can quickly understand whether a company is doing well. Not revealing the net returns earned on the savings portion of life insurance plan and obfuscating the simple facts in a maze of technical terms doesn't help. It may be a good idea if the products are rated for their risk-return potential like it's done in other financial instruments," he said.

According to Mehta, this document should contain more. "Claims payment is a key information and so the document should also contain product specific claims settlement records of the insurer. This is particularly relevant for health insurance," he said. Further, in the case of health there is still a lot more that needs to be done to protect the policyholder's interest.

Source

"When insurers refile health insurance products, they sometimes add exclusions. This should not be allowed, particularly for customers who bought the insurance earlier. For new buyers the exclusions need to be clearly explained," said Mehta.

The draft is up for public comments till 15 February.

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Source

Filing of Returns for Foreign to Foreign Reinsurance Transactions

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Modification to Guidelines on Point of Sales Person – Life Insurance

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Pension

Union Budget 2017 made National Pension System, more attractive for investors; here's what is in it for you – The Financial Express – 8th February, 2017

In order to encourage investment in National Pension System (NPS) and provide relief to subscribers, the Budget has proposed tax exemption of up to 25% of employee's contribution on partial withdrawals from NPS account.

Under existing provisions of Section 10(12A) of the Income Tax Act, payment up to 40% of accumulated balance on closure of a subscriber's account or opting out of the scheme is exempt from tax. Partial withdrawal during the *course of accumulation attracted tax without any exemption. The tax exemption on partial withdrawal will be made effective from fiscal year 2017-18.*

Additional tax deduction of R50,000 continues

In the 2015 Budget, finance minister Arun Jaitley introduced an additional income tax deduction (from FY 2015-16) of R50,000 for contribution to NPS under Section 80CCD(1B). It will continue even this year. To get the tax deduction, the investment has to be made in Tier I NPS account only. This is above the Section 80C limit of R1.5 lakh. The deduction is irrespective of the type of employment. So, a government employee, a private sector employee, a self-employed or an ordinary citizen can claim the tax benefit.

Parity in deduction

Moreover, in order to bring parity across all subscribers to NPS, the Finance Bill 2017 has proposed to raise the deduction amount for subscribers other than employee from 10% to 20% of gross total income. As per the current provision of Section 80 CCD of the I-T Act, an employee enjoys deduction of up to 10% of salary on own contribution and up to 10% of salary on employer's contribution, thus aggregating the deduction to 20% of his salary. However, deduction available to any other subscriber (other than employee) to NPS is only 10% of his gross total income.

Partial withdrawal

In 2015, Pension Fund Regulatory and Development Authority (PFRDA) had allowed partial withdrawal, up to 25% of contributions, from NPS Tier-I account for certain specified circumstances if one has stayed subscribed for 10 years. These could be for children's higher education or marriage, construction or purchase of first house, and treatment of critical illness for self, spouse, children or dependent parents.

In fact, PFRDA has defined 13 critical illnesses, including cancer, kidney failure and heart surgery, for which partial withdrawal is allowed. Any life-threatening accident also qualifies for partial withdrawal. A subscriber can withdraw from NPS only three times during the entire tenure and the gap between each withdrawal has to be at least five years.

NPS falls under the EET (exempt-exempt-tax) regime. The account holder has to compulsorily buy an annuity with at least 40% of the corpus amount at the age of 60 plus. On this 40%, there will be no tax at the time of maturity. In last year's Budget, the finance minister had made withdrawals from NPS on maturity tax free for up to 40% of the total corpus accumulated. So, effectively an individual has to pay tax on 20% of the maturity corpus. Experts say the proposed tax exemption of up to 25% of employee's contribution on partial withdrawals from the NPS account will be a big relief for subscribers.

Source

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Global

Homeowners to pay fire levy through insurance – AIR – E-daily – 9th February, 2017

Homeowners can expect to pay higher insurance premiums to help fund a restructured fire service. The increase in premiums is likely to be around NZ$36 (US$26) a year.

Under the Fire and Emergency New Zealand Bill currently before Parliament, the fire service and rural fire authorities will merge to become one organisation from 1 July this year, reported Radio New Zealand.

Internal Affairs minister Peter Dunne said the aim is to address under investment in rural fire services, as well as the cost of amalgamating 40 separate organisations into a new national body.

The country's rural fire authorities are currently funded by councils, forestry companies and the Department of Conservation, but under the changes the average home owner will also pay.

Fire levies have not increased since 2008. The Cabinet had already agreed to an increased levy, which would be added to property and motor vehicle insurance from next year once the Bill passes.

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