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QUOTE OF THE WEEK

“There are no great limits to growth because there are no limits of human intelligence, imagination, and wonder.“

Ronald Reagan

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Traditional Insurance Plans

Definition: Traditional insurance plans provide multiple benefits like risk cover, fixed income return, safety and tax benefit. Traditional Insurance plans are the oldest plans and cater to individuals with a low risk appetite.

Description: Traditional insurance policy plans provide the sum assured and a guaranteed or a vested bonus at maturity. These plans take a limited exposure in high risk equity and hence the downside probability is also low. These plans are suitable for the purpose of tax planning. Unlike ULIPs, premature withdrawal is normally not allowed in the case of traditional plans.

Source

INSURANCE INDUSTRY

Budget 2020: Insurance sector announcements unlikely to influence penetration rates directly – Financial Express – 6thFebruary 2020

FM Nirmala Sitharaman underlined the aim of social security via pension and insurance penetration in her Budget speech. However, no concrete steps were proposed for increasing the low insurance penetration in India. Insurance penetration, the ratio of insurance premiums to the GDP, is an indicator of the sector's development. The insurance penetration rate has been growing, albeit at lackluster rates. It rose from 2.7% in 2001 to just 3.7% in 2018.

In India, the uptake of insurance products as an avenue of savings and investment is low; Indian households hardly invest in financial assets, including insurance products. With the newly announced optional income tax regime that comes with the caveat of forgoing exemptions enjoyed under the earlier tax regime, this scenario is likely to get exacerbated as it may disincentivise investment in insurance products in the absence of income tax benefits. The actual effect of the same, however, will be contingent on how many individuals migrate to the new system.

What is Union Budget of India?
The Budget has also belied insurance sector's expectation of big-ticket announcements, including that of further loosening of FDI cap from the current 49%, as was hinted in Budget FY20.

Lloyd's estimates India's insurance gap to be $27 billion in 2018. Affordability issues, and difficulty in understanding products keep the penetration rate low. There are concerns of adverse selection, and moral hazard, stemming from lack of symmetric information.

Increasing penetration rates necessitate improving accessibility of insurance products. This calls for enhancing affordability, and greater comprehension of these products. Authorities must give thrust to building trust, spreading awareness about products as well as benefits, and improving financial literacy. In this context, government insurance schemes like Pradhan Mantri Fasal Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, and Pradhan Mantri Jeevan Jyoti Bima Yojana assume importance as they push coverage to healthier levels by spreading knowledge of insurance products to otherwise isolated segments of the population. In the non-life insurance segment, penetration has improved because of health insurance through the Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (PMJAY). Even though expansion of PMJAY by setting up more hospitals in tier-two and tier-three cities under PPP has been proposed, the Budget allocation for the scheme remains the same as last year at Rs 6,400 crore.

Life Insurance Corporation of India's IPO, as proposed in the Budget, may help enhance transparency and bring greater financial discipline to the system, but it will do little to improve penetration rates. Similarly, the allocation of Rs 6,950 crore for recapitalisation of National Insurance, Oriental Insurance, and United India Insurance, aimed at helping them maintain the minimum solvency ratio, will likely catalyse their merger, but won't have a direct impact on ramping up insurance coverage.

Budget announcements for the sector are unlikely to have a direct influence on insurance penetration rates. Stimulating the low coverage and penetration is extremely crucial, not just for social security but also economic resilience. Low levels of insurance penetration render the uninsured, and underinsured, populations vulnerable to detrimental shocks, which can also further impoverish them. Insurance shields against these risks, and assists beneficiaries in expeditious financial recovery in case of an unfavorable event. Both financial and climatic shocks are on the rise and having an efficient and stable insurance market in place will determine India's growth performance in both the short and long term. To harness the potential of the insurance sector as a driving force of economic growth in India, the low penetration rates will have to be increased. A synchronized push is required to put penetration on to the growth trajectory, which Budget FY21 has failed to deliver.

(The writer is Saon Ray & Vasundhara Thakur.)

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Source

View: Budget proposals will have negative impact on insurance sector - The Economic Times – 5th February 2020

Finance minister Nirmala Sithraman's Budget is woven around three prominent themes (i) Aspirational India (ii) Economic development (iii) A Caring Society. In furtherance of these prominent themes, the government has made several policy and tax announcements.

The government recognizes the importance of focussing on the infrastructure sector to achieve its vision of making India a $5 trillion economy by 2024-25. Few months ago, in the monthly economic report of November, the government announced its intention to spend Rs 100 lakh crore on development of modern infrastructure over the next five years. Towards this, Budget rightly announced several measures to boost the infrastructure sector.

It goes without saying that the insurance sector plays a pivotal role in the economic development of the country. Insurance helps in channelizing the small savings of the taxpayers into a large pool of funds, which can be invested in capital markets and infrastructure sector, thereby resulting into availability of capital for the growth of the country.

Unfortunately, the Budget has failed to boost the insurance sector. In fact, few Budget proposals have a negative impact on the insurance sector – one such proposal is the introduction of new optional tax regime for individuals and Hindu Undivided Family (HUF) with modified tax slabs and rates. In order to opt for this scheme, the taxpayers will have to forgo a lot of deductions currently available under the Income-tax Act, 1961 (ITA). Once such deduction is under section 80C of the ITA wherein amongst others, taxpayers can claim deduction upto Rs 1,50,000 in respect of premium paid for purchase/renewal of life insurance products.

It is well recognised that insurance is a push product. Many individual taxpayers in India buy life insurance products to claim deduction under the ITA. In view of the new optional tax regime, it is likely that many individual taxpayers in the lower tax bracket may not buy/renew life insurance products going forward. This will have a negative impact on the life insurance sector, thereby impacting the insurance penetration in India, which is already extremely low compared with other countries.

The insurance industry players were hoping that the policy announcement made in previous budget vis-à-vis further liberalisation of Foreign Direct Investment (FDI) in insurance companies would be announced in Budget 2020. However, no such policy announcement was made. Honestly, such policy announcements need not be part of Budget proposals. Indian branches of foreign reinsurers were hoping that a special code of taxation that is fair and unambiguous would be introduced for them and process of obtaining blanket NIL withholding tax certificates would be rationalized on the similar lines as currently applicable to Indian branches of foreign banks. On this matter as well, no announcements were made.

Non-life insurance companies would welcome the proposed amendment regarding allowability of deduction for unpaid statutory liabilities under section 43B of ITA in the year of payment. Another positive announcement for the insurance sector is that the government will divest its holding in Life Insurance Corporation of India (LIC) through initial public offer and unlock value for investors. However, the negative impact of Budget on the life insurance sector may have an adverse impact on LIC's valuation.

In the past, there were many instances where few proposals, which were not part of the Budget, were later on considered when Budget was laid down and debated before Parliament. Hence, one hopes that the government would allow the deduction of life insurance premium paid to insurance companies despite opting for a new optional tax regime for individuals and HUF given that it will not only give boost to the sector, but would also lead to more money in taxpayer's pocket thereby resulting in increased consumption.

Likewise, it is expected that the government would soon enhance the FDI limit in insurance companies up to 74 per cent without insisting on the requirement of 'Indian controlled' as this will help the country in bringing better technical know-how, innovation and improving insurance penetration.

(The writer is Sunil Badala.)

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Source

J-K adman gives nod to employees insurance society – Outlook – 5th February 2020

In a decision aimed at promoting the welfare of employees and workforce, the Jammu and Kashmir administration on Wednesday gave its approval for setting up of an Employees Insurance Society for effective management of insurance facilities, an official spokesperson said.

The Administrative Council, which met under the chairmanship of Lieutenant Governor G C Murmu accorded sanction to the formation of J&K Employees Insurance Society (EIS) under the Employees Insurance Act, 1948, he said.

Once registered, the EIS will serve as a managerial and healthcare body to provide for effective administration and management of health and insurance facilities and insurance benefits to around 2.95 lakh insured persons under the Employees'' Insurance Scheme, the spokesperson said. The decision will help to increase the number of insured persons to nearly 6 lakh.

According to the spokesperson, the EIS will have the mandate to formulate policies for code of conduct, capacity building and other training programmes for medical and para medical staff. Besides, it shall undertake measures to generate awareness among the employers and the employees so that more and more employees and workers can be brought under the scheme, he said.

The scheme is being implemented by the Employees Insurance Corporation through the Labour Department, the spokesperson said. It will cover industrial workers and their families, other establishments like shops, hotels, restaurants, transport and newspaper, cinemas, educational institutions (public, private, aided) run by individuals, trusts, societies, private hospitals and nursing homes etc, he said.

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Insurance & Budget: Hits and misses – The Hindu Business Line – 4th February 2020

The purpose of insurance is to mitigate risks that individuals and companies face. This objective has never been more important than now, because the slowing economy makes us vulnerable to adversity.

However, insurance is falling short of its enormous potential because of under-insurance not enough people are buying the required insurance policies, or are buying them in small amounts.

So, the ideal budget, from the insurance perspective, would have stimulated the sale of life and health insurance to segments such as women, small towns and micro, small, and medium enterprises (MSMEs); encouraged the distribution of relatively under-penetrated categories such as home insurance, catastrophe insurance and pension; and incentivized those already buying insurance to increase their sum assured, specifically death cover in life insurance and indemnity limits in health.

Need for tax exemptions

These areas have not been directly addressed in the Budget. In fact, the immediate impact of some of the current proposals may be counter to the objective of reducing under-insurance, specifically the intention to phase out tax exemptions.

It is agreed that the tax incentives are cumbersome and must be streamlined. However, many buy insurance just because it is tax-incentivized. This is a case where the end justifies the means. Tax incentives, delivered through various sections such as 80C and 80D, drive individual insurance sales. This is why a high proportion of insurance sales take place at the end of the fiscal year, as taxpayers rush to meet the incentive deadlines.

Under the current Budget proposal, taxpayers have been offered an option to pay lower tax rates and do away with these exemptions. However, an alternative incentive to buy insurance has not been created. If the incentives are completely done away with in a few years, as the Finance Minister indicated, it will remove a major raison d'être for insurance purchase.

Individual buyers and the industry will both suffer. This change to a no tax-incentive regime will take time because the government has given people the option to continue with the previous tax regime that offeres incentives. Many will prefer that. Effectively, this gives the government room to think through measures that stimulate insurance purchases.

Ayushman Bharat plans

Investment into the Ayushman Bharat health scheme remains relatively unchanged, and the emphasis will now be on creating hospital capacity in certain districts. This scheme, when fully implemented, will have a material impact on the health of the poor. The issue of hospital capacity must be comprehensively addressed. Several existing healthcare providers are not joining the scheme because the treatment rates offered are too low. This must also be looked into so that the scheme is viable and scales up faster.

The increase in deposit insurance from Rs. 1 lakh to Rs. 5 lakh will improve depositor confidence. The premiums for this insurance are paid by the banks and they may decide to pass on the cost to the customers.

In any event, this is a small cost for the security it gives. In fact, the Deposit Insurance and Credit Guarantee Corporation (DICGC) should allow depositors to enhance the cover to overRs. 5 lakh by paying the additional premium cost.

The implementation of the Niryat Rin Vikas Yojana (NIRVIK), which provides for high insurance cover at a low premium for small exporters and simplified procedures for claim settlements, will be streamlined. This scheme benefits banks, encouraging them to lend more to export-oriented MSMEs. It is a good move because it will increase liquidity. However, an equally pressing requirement is to facilitate trade credit insurance for small companies that operate in the domestic market. Such companies find it difficult to buy insurance.

Listing of LIC

Listing LIC will benefit policyholders because the financial results will be more transparent and this systemically-important company will be scrutinized with the high standards of the public markets.

Over the next few months, much more needs to be done for the insurance sector. There has been a request to lower the GST rates to below 18 per cent.

If this happens, it could partially offset the impact of eliminating direct tax incentives. FDI in insurers is yet to be increased to 74 per cent, and annuities for pension continue to be taxed at maturity, which makes them unattractive.

The government should consider making home and catastrophe insurance mandatory, particularly in flood and earthquake prone zones. Addressing insurance under-penetration through such measures can significantly boost economic growth.

(The writer is Kapil Mehta.)

Source

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New income tax rates will impact insurance agents' incomes - Mint – 4th February 2020

The proposed new income tax slab rates - a lower rate without any tax deductions - may put some money in the hands of taxpayers but would affect the agents selling life or general insurance policies and post office saving instruments, said a top leader of the state-run LIC agents' association.

"In India, a life insurance policy is sold and not bought. It is a social security product. The new tax rates give the option to the tax payer to pay tax without opting for tax saving measures such as buying insurance policies like life, health, or investing in public provident fund (PPF) and others," P.G. Dileep, General Secretary, LIC Agents' Organisation of India.

According to him, Asian insurance giant Life Insurance Corporation of India (LIC) has about 11.89 lakh agents. "Bulk of the policies sold is with a sum assured of ₹1 lakh to ₹5 lakh. The proposed tax slab rates may leave some money in the hands of the taxpayer and he/she may not buy a life insurance policy to save on tax," Dileep said.

He said this would make it even more difficult for agents to sell life policies. "It will be a big blow for the insurers as insurance cover is sold and not bought. Taxpayers buy insurance covers - life and health - in order to save tax outgo. When there is an option, then the general human tendency is not to buy insurance," practicing chartered accountant P.S. Prabhakar had told IANS.

A senior insurance industry official told IANS preferring anonymity: "Health and life insurance policies are bought mainly as a tax saving measure. Now there seems to be a disincentive for an individual to buy such insurance covers, thereby putting his family finances at risk."

A senior official of a private sector life insurer not wanting to be quoted told IANS that insurance penetration, which is very low in India, will come down further.

According to Prabhakar, such tax proposals are fine in countries where there is a strong social security system, whereas in India a person has to fend for himself during his old age. Thus, compulsory tax saving schemes taken at a younger age provide social security during old age.

"There is no guarantee that the government would continue with the old systems and can very well scrap the same in the future, Prabhakar had said. The one solace now for the policyholders is that the government has not decided to tax the maturity proceeds of a life insurance policy. Perhaps one via media is to offer tax deduction for term life insurance under the new tax rates.

Source

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US industry hopeful of FDI relaxation in insurance – The Hindu Business Line – 3rd February 2020

The US industry is hopeful that India would soon announce measures for further liberalisation of foreign direct investment (FDI) norms, especially in the insurance sector, although the Union Budget presented last week was silent on the matter despite expectations.

"I would hope for some more liberalisation in FDI norms and caps, including insurance. People were hopeful that some steps may be there in the Budget. Even if it was not, we might see a policy (on FDI) soon as the government doesn't reserve everything for a Budget rollout," said Nisha Biswal, President, the US India Business Council (USIBC), in an interview with *Business Line*.

The USIBC, a Washington-based advocacy body that promotes trade and investment between India and the US, is unhappy with the government's move to increase import duties on more items, like furniture, footwear and medical equipment.

The US is India's largest export destination, accounting for $52.42 billion in 2018-19, while imports from the country were worth $35.5 billion, making it the second largest source of imports after China.

"A number of people are concerned about India's return to the tariff architecture. For a government that is trying to encourage Make in India, this may seem one way of doing that. We are not necessarily supportive of higher tariffs. We think we should be looking at reducing or abolishing tariff instead of increasing it," she said.

An eco-system for Make in India or Assemble in India could be created by strengthening the supply chain eco-system in the country, she said. “We want to work with the government on exploring how Indian States can become more competitive and draw more investments in supply chains,” she said.

‘Mini-package possible’

On whether a trade pact between India and the US could be concluded soon, Biswal said that while it may be difficult to have a comprehensive agreement that addresses all issues raised by both sides, a mini-package was definitely possible.

“There are a lot of issues that both sides have talked about. I don’t think all of that will get resolved. But I think they will be able to put something together,” she said. In fact, if the visit of US President Donald Trump and the US Trade Representative to India indeed happens, it could be an action-forcing event, Biswal added.

The USIBC is fully supportive of India’s demand for full restoration of the Generalised System of Preferences (GSP) benefits that allowed duty-free access to a large number of imports from India; it was withdrawn last year.

“We feel the GSP is an important tool that not only gives benefits to the beneficiary country, in this case India, but also to consumers and to companies that are making in and exporting from India, which includes a number of American companies,” she said.

The US government, on the other hand, wants a deal in the area of price caps for medical devices and more market access for agricultural produce.

“The fact that both sides are keen to find an outcome is a good sign. It means that we are invested in each other. We look forward to something coming out of these discussions that are ongoing for the last few months,” Biswal said.

(The writer is Amiti Sen.)

TOP

Source

INSURANCE REGULATION

IRDAI sets up panel for standalone micro-insurer - The Indian Express – 6th February 2020

The Insurance Regulatory and Development Authority (IRDAI) has formed a panel under Mirai Chatterjee, director, SEWA, Ahmedabad, to assess the desirability and feasibility of the formation of standalone micro-insurance companies in the country.

Well-known banker with exposure in micro-finance sector Nachiket MOR and Ajit Dayal, founder, Quantum Mutual Fund will be also the members of the panel with eight other experts and the panel would submit its report in three months. India is the largest micro-insurance market in the world. The panel would review the existing legal and regulatory framework to enable a standalone micro-insurance company, Indian Insurance Company, after analysing similar provisions in other jurisdictions. It will also recommend the maximum sum insured per person which may be accepted by the proposed micro-insurance company.

The panel will also consider the aspect of ease of doing business, suggest on the applicability and or relaxation of extant Act and regulatory provisions for the proposed micro-insurance company, which may be registered as an insurer. The indicative regulatory aspects are: capital and solvency, underwriting, product and claims, finance and accounting, investments, operations and corporate governance, India has been seen to be a pioneer in the micro-insurance sector in the world and has provided an example with its micro-insurance regulations. IRDAI has received suggestions on allowing standalone insurers for transaction of exclusive micro-insurance business, as it may boost the micro-insurance penetration in India with geographical spread, IRDAI said.

Another committee set up by the IRDAI in 2019 had proposed that option to pay a single premium in daily, fortnightly, monthly or quarterly instalments should be allowed. It also proposed stamp duty waiver for micro insurance plans, especially for life insurance policies and E-KYC should be mandated. The committee recommended for introducing long term policies for a period up to 5 years.

Further, in a bid to develop a single products combining life, non-life and health features product, which are simple, affordable and easy to understand, IRDAI has set up another committee under Yagnapriya Bharat, CGM, IRDAI. The panel will recommend design of products on policy wordings, policy schedules and prospectus for such combi-products. It will also recommend the servicing aspects of such policies, where there is an involvement of more than one insurer.

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Source

LIFE INSURANCE

Life insurance industry trends that set to shape 2020 – DNA – 6th February 2020

There is no path more hazardous than the one taken in attempting to predict what the future entails. Supporting the statement is a recent report that states with a population of over 1.33 crore, the country's life insurance penetration rate is even less than 3% of the entire GDP.

In the last few years, one important thing that has not changed all this while is the 'perception' of people towards the product.

As per industry experts, life insurance in India is still seen as a product that comes into play only when something goes wrong with its primary focus on the mortality aspect. This is a key reason why families are not fully protected against unseen circumstances caused by the death of the breadwinner.

However, with digitalisation at its peak, it's time for the life insurance industry to make dedicated efforts towards increasing life insurance awareness amongst the people. The word 'Digital' today is one of the largest trends that are shaping, disrupting and transforming many industries. Given that the world we live in is in continuous flux and every industry faces transitions, this is truer today than ever before. As with every other industry, the life insurance industry is becoming more technologically advanced by the day.

Digitization enables Personalization

Higher personalization levels in premiums is an emerging trend that is scheduled for a long stay in the insurance industry. In fact, customers prefer personalized insurance covers instead of the one-size-fits-all products currently available.

Thanks to new-age analytics, insurance companies are constantly collecting data to make services better for their consumers. For instance, they have surveys and questionnaires for their customers to figure out ways to improve their service. Also, to be able to supply their customers with the personalization they want, companies in the insurance domain are in need of behavioural insight to develop a deeper view of their customers. As a result, it will lead to more accurate risk assessments, personalized premiums and value on a sustainable basis for better customer experience and brand loyalty, plus reduced false claims.

The digital economy will make usage-based, on-demand and 'all-in-one' insurance lifestyle products more relevant. This will help insurers to reach out to their customers for new followed by alerts to give the best customer engagement possible.

Automated Underwriting

The first area in the insurance industry, which the blockchain technology could have a lasting effect on, is underwriting. As personal lines insurers expand globally, aging underwriting resources in the developed world and lack of underwriting skills in emerging markets will lead to a severe talent shortage. The need for huge volumes of customer data to be processed in real-time by different insurance functions calls for easy and secure transfer of data across organizations.

As a result, life insurers increasingly are turning to analytics and AI to generate insights from vast amounts of data to improve underwriting accuracy and speed. It is one of the most powerful technology trends to revolutionize the insurance industry in the next couple of years. Blockchain technology provides the advantage of secure data management across multiple interfaces and stakeholders without loss of integrity. From identity management and underwriting to claims processing, fraud management, and reliable data availability, the technology offers reduced operational costs.

AI & Automation for Faster Claims

Another aspect of the insurance industry that can be positively affected by blockchain technology is the processing of claims. Considering the number of data points that need to be verified and the manual effort required, it's no surprise that the users find the process too long and tedious. By using block chain all the necessary information needed for claims verification can quickly be processed.

Companies from the insurance domain can track the usage of an asset by using the data available in the blockchain without tampering any information. This will become mainstream in both the front and back-office to automate policy servicing and claims management for faster and more personalized customer service.

Chat bots to Improve Operational Efficiencies

There is nothing denying the fact that technology was a big win for the insurance sector not only in India but globally in the year 2018. A recent report states that technologies like Chat-bot and Wearables are expected to grow exponentially in the next few years. Life insurers are launching digital-only products to speed up the quote-to-issue process and bring in cost efficiencies in customer service.

As with new technological advances: Internet of Things including wearables and telematics devices, Artificial Intelligence (AI) including chat bots and machine learning, and Robotics will significantly increase automation leading to greater productivity. Many insurers will also take this as an opportunity to incentivize policyholders for living a healthy lifestyle.

Conclusion

This can assist consumers to look for life insurance products that are convenient to buy. Meanwhile, new players and insurers can plan to align better with emerging business environments, managing changing customer preferences and improve operational efficiencies. This would breathe new life into policies and leverage emerging technologies (artificial intelligence (AI), analytics, and blockchain) to improve efficiency, agility, flexibility, and customer-centricity.

(The writer is Santosh Agarwal.)

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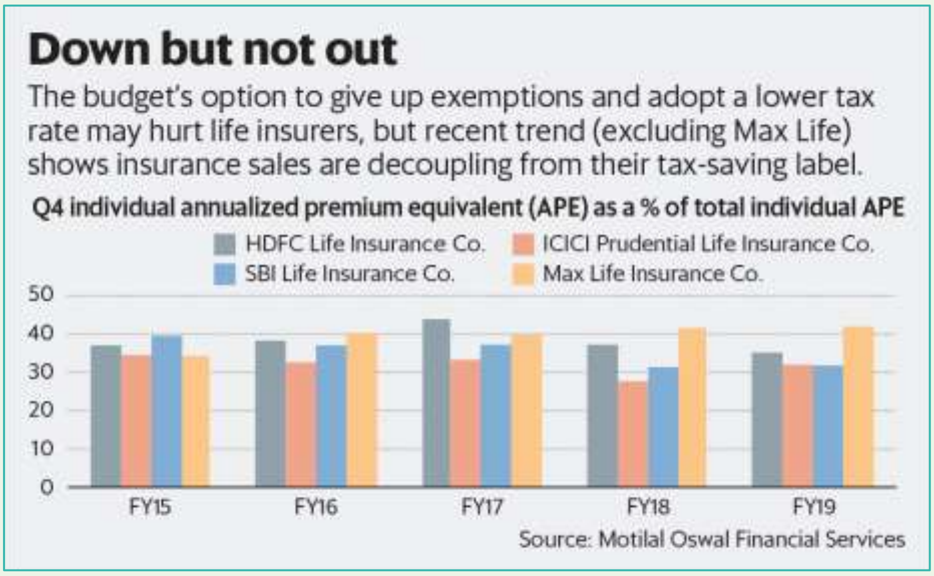
Source

Budget brings the moment of truth uncomfortably closer for life insurers – Mint – 5th February 2020

Selling life insurance in India will not be the same again. Hence, the way investors look at listed life insurers is also set to change.

The Union budget has given a choice to Indians wherein individuals can shift to a lower tax rate if they give up the benefits of exemptions, and life insurance policies are one such exemption. Granted, for a large swath of Indians, there is no real benefit in migrating to the new tax rates when exemptions allow for a sharply lower tax liability in the old regime. But one can expect some migration, especially those in the taxable income bracket of ₹5-7.5 lakh. Millennials willing to borrow rather than save and looking for more disposable income won't think twice before chucking their decision to buy an insurance product.



Not just new business but persistency ratios could also get hit as existing customers rethink their decision to hold on to policies. Analysts recognize this threat to growth.

"Most of the industry premium enjoy tax advantage currently, but risk of uncertainty lies in the part that is largely motivated by tax-benefit—lower ticket size ULIPs & par-savings products primarily," said a note by Jefferies India Pvt. Ltd.

Private sector life insurers will have to up their game in selling insurance products. To be fair, they have been doing so recently. Most advertisements of insurance policies promote life protection and the tax exemption benefit is added as an afterthought. However, the strong distribution network of insurance agents, which forms the backbone of sales, still peddle insurance as a tax-saving product.

If investors thought this was worse, insurers got hit by another decision—the abolition of dividend distribution tax (DDT). By making dividends taxable in the hands of the investor, the government has taken a chunk off the earnings of insurance companies. "With dividend income no longer tax-exempt, margins and embedded value will be affected," said analysts at Jefferies India.

Nomura Financial Advisory and Securities (India) Pvt. Ltd estimates the removal of DDT will have a 5-10% hit on value of new business if companies don't change their pricing. But life insurers will benefit too as the dividend they pay to shareholders won't be taxed with DDT being abolished. Perhaps this would encourage insurers to distribute more dividends to shareholders but the jury is still out on this one.

Life insurers need not despair. As the chart shows, insurances sales have been shedding their tax-saving label of late. Analysts at ICICI Securities Ltd argue that while there could be a short-term impact on purchase behaviour post the removal of tax incentives, life insurers will adjust the pricing curve accordingly to keep cost of insurance unchanged for marginal consumers.

(The writer is Aparna Iyer.)

Source

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Life, Health Covers may Lose Lure as Sops Turn Optional – The Times of India – 2nd February 2020

Sales of life and health insurance policies, which qualify for income tax breaks, are expected to take a big hit because of the new simplified income tax regime announced in the Union Budget.

Tax savings, which was the biggest driver for life insurance, has lost relevance for many as the budget allows taxpayers to pay tax at a much lower rate if they forego exemptions.

"Most middle-class taxpayers will see this as -- lower tax slab, less paperwork. These will become the key motivations.

Very few people take life insurance purely for protection - most view it as a savings or investment instrument. Now with that clear incentive gone, there will be a dip," said a CGM from LIC.

Insurers feel that this a major setback because insurance penetration in India is low compared to other countries. Stocks on insurance companies fell following the budget announcement. IRDAI officials said they were completely taken aback by the Union Finance Minister's budget announcement.

Every March 31st, it was common for staff members to work late into the night at LIC offices across India. Insurance agents would scurry around pressing LIC officers to take their last-minute proposals - as thousands of Indians tried to file for tax exemptions just before the deadline. But this might change this year, said sources.

IRDAI officials said they were completely taken aback by the Union Finance Minister's budget announcement. "We were certainly not consulted on this. And it will have a negative impact on the sector," said an IRDAI member. "But it is still early days. But, I have hope as the FM had a press conference following the budget announcement - and there she did mention the savings aspect."

"Life insurance and health insurance will take a massive hit. Now that the tax benefit has become optional. While we will retain our older clientele, youngsters might decide to trade in financial security for more cash in hand," said the LIC CGM.

Insurers say insurance was always a push product and now with the key incentive "tax" being removed not many might think of financial protection and fiscal prudence. "In India, the construct has always nudged future savings and risk management by encouraging conscious investment towards the same aided by tax relief. We have not seen announcements that will encourage risk management practices, " said RM Vishakha, MD & CEO, India First Life Insurance.

Institutions also say higher spending income should not have come at the cost of savings. "The option to individuals to opt for a lower tax slab structure with no deductions or to continue with the earlier higher slabs with deductions for home loan EMIs, investments in insurance etc seems slightly confusing.

In a country like India with a young population with poor social security it is imperative to incentive young India to save for the future and own a house as well," said Krishna Kumar Karwa, managing director, Emkay Global Financial Services.

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Source

Life insurance plans revamped: How key changes would affect you? – Financial Express – 1st February 2020

As the extended deadline to introduce life insurance plans as per the new guidelines issued by the Insurance Regulatory and Development Authority of India (IRDAI) comes to an end, life insurance companies have started offering revamped plans from February 1, 2020 after withdrawing the existing plans.

Some of the key changes that the life insurance companies have to comply with while developing the new plans are as follows:

Higher revival period

A policyholder will now get more time to revive a policy in case he/she fails to pay premium within 6 months after it gets due and the policy gets lapsed. Previously, the revival period of the policies were 2 years from the date of first unpaid premium (FUP), but according to the IRDAI guidelines, the revival period has now been increased to 3 years for ULIP plans and to 5 years for non-linked plans.

So, you will get more time to revive your new policy, but after paying the premium for entire revival period along with interest.

ULIPs with lower sum assured

Unlike the previous requirement that minimum sum assured (SA) should be 10 times the annual premium, anyone would now opt for minimum SA of 7 times the annual premium in new Unit Linked Insurance Plans (ULIPs). Earlier, only people above the age of 45 years could opt for ULIPs with lower SA.

While the lower SA would reduce the mortality charge, but the maturity would not be completely tax free if SA is less than 10 times the annual premium.

Partial withdrawal from unit-linked fund

No defined partial withdrawal rules were available in the previous plans, but under the new unit-linked plans, you may partially withdraw 25 per cent of the fund value trice during the policy term after completion of 5 policy years for events like – higher education, marriage of son/daughter, critical illness of self/spouse, buying/constructing a residential house.

Defined partial withdrawal option would provide much-needed liquidity, but your insurance cover would also reduce.

Equity option in pension plans

As equities are known for generating higher returns in the long-term, you may now opt for higher equity exposure in the new deferred annuity plan, by choosing 'no guarantee option' for the maturity proceeds.

Equity investments are subject to market risks, so by opting the 'no guarantee option' to increase equity exposure, you would put the capital invested under risk, even as it would increase the chance of getting higher maturity value.

Higher commutation under pension plans

Unlike the earlier option of 33 per cent commutation, under the new plans that aim at developing retirement corpus, you would get a chance to commute 60 per cent of maturity value at vesting.

Even as the new plans would allow you to commute higher amount, but you would get tax benefits only on 33 per cent of the maturity value and the rest would be taxable. Moreover, higher commutation would result into lower investment in annuity plan and lower pension.

Defined surrender value

As different life insurers used to pay different surrender value on surrender of earlier policies, IRDAI has defined the minimum year-wise surrender value for the new plans. The minimum surrender value, before deducting already paid survival benefits, if any, would now be 30 per cent of total premium paid after 2 years, 35 per cent after 3 years, 50 per cent for the 4th to 7th years and 90 per cent if surrendered in last two years before maturity.

Although the surrender value has been increased, but you may lose the bonus on surrender.

(The writer is Amitava Chakrabarty.)

Source

TOP

GENERAL INSURANCE

Deposit insurance hike: RBI says not to hit banks balance-sheets – Mint – 6th February 2020

The Reserve Bank does not see any major impact on the balance-sheets of banks due to the five-fold hike in deposit insurance to ₹5 lakh.

Following the failure of a number of cooperative banks, with the city-based PMC Bank being the latest and the largest last year, the budget allowed the Deposit Insurance and Credit Guarantee Corporation (DICGC) to raise deposit insurance coverage to ₹5 lakh from ₹1 lakh.

"The premium is something, which we consider, will increase from 10 paise to 12 paisa per ₹100 for the time being. So, the impact on banks' balance sheets is not likely to be much," RBI Deputy Governor B P Kanungo told reporters during the post-policy presser.

The hike in deposit insurance coverage has been a long pending demand from bank depositors and it recently came to fore after the crisis at Punjab & Maharashtra Cooperative (PMC) Bank. It can be noted that in 2019 alone more than 30 cooperative banks went belly up in Maharashtra alone.

The DICGC, a wholly-owned subsidiary of the Reserve Bank, provides insurance cover on bank deposits. At present, the DICGC provides ₹1 lakh insurance to a depositor regardless of the deposit amount, in case the lender fails or gets liquidated.

The corporation insured each bank depositor up to a maximum of ₹1 lakh for both principal and interest amount held by them as on the date of liquidation/cancellation of a bank's licence or the date on which the scheme of amalgamation/merger comes into force.

It can be recalled that way back in 2009, the Raghuram Rajan committee on financial sector reforms had recommended strengthening the capacity of the DICGC, a more explicit system of prompt, corrective action, and making deposit insurance premia more risk-based.

On the PMC Bank crisis, Das said the administrator and the advisory committee now have greater clarity with regard to the financial position of the bank and they are working out the next course of action.

The multi-state co-operative bank has been put under an RBI administrator since September 23, 2019, after the regulator found financial irregularities including under reporting of loans and non performing assets of real estate developer HDIL.

The central bank also sacked the board of the bank and appointed an administrator.

In September, it was reported that the co-operative lender's actual exposure to the bankrupt HDIL was over ₹6,500 crore -- which is 73 per cent of its entire assets of ₹8,880 crore.

Meanwhile welcoming the budget proposal to make the RBI the full regulator of cooperative banks, deputy governor MK Jain said, handling the full regulatory control of cooperatives to the RBI will strengthen the hands of the regulator.

TOP

Source

What happens to your FDs, deposits if bank fails? Higher insurance in force now – Mint – 6th February 2020

Just days after Finance Minister Nirmala Sitharaman in Budget 2020 proposed an increase in insurance amount for depositors in case of bank failure; the RBI has announced an increase in insurance cover to ₹5 lakh per depositor, from ₹₹1 lakh. The enhanced limit came into effect from 4th February.

Under this scheme, offered by Deposit Insurance and Credit Guarantee Corporation, a wholly owned subsidiary of the Reserve Bank of India, in case of an unlikely bank failure deposits up to ₹1 lakh is insured and paid back to the depositor.

The higher limit comes in the wake of crisis at Mumbai-based urban cooperative bank PMC Bank.

"With a view to providing a greater measure of protection to depositors in banks the Deposit Insurance and Credit Guarantee Corporation, a wholly owned subsidiary of the Reserve Bank of India, has raised the limit of insurance cover for depositors in insured banks from the present level of ₹1 lakh to ₹5 lakh per depositor with effect from February 4, 2020 with the approval of Government of India," the RBI said in a statement.

Here are 5 things to know about this scheme:
1) All types of bank deposits including savings, fixed and recurring are covered under the scheme. The ₹5 lakh limit covers both principal and interest amount.

2) The Deposit Insurance and Credit Guarantee Corporation does not directly charge any premium from bank depositors but banks pay a premium for the cover.

3) It is to be noted that this deposit guarantee is invoked only if the bank gets closed. It cannot be released if the bank is a going concern.

4) All deposits maintained by the depositor across all branches of a particular failed bank are clubbed. Or in other words, if a person keeps deposits in different branches of a bank, they are paid a maximum of up to ₹5 lakh only on the aggregate amount.

5) Deposits maintained with different banks are not clubbed. The deposit insurance scheme covers all banks operating in India including private sector, co-operative and even branches of foreign banks in India.

(The writer is Surajit Dasgupta.)

TOP

Source

Govt to finalise merger of three PSU general insurers by March-end: Official – Mint – 5th February 2020

The government aims to complete merger of three state-owned general insurance companies -- National Insurance Co Ltd, United India Insurance Co Ltd, and Oriental Insurance Co Ltd -- by the end of March, Finance Secretary Rajiv Kumar said.

Respective boards of the three companies have already given their in-principal approvals for the merger.

"Merger of PSU general insurers is at an advanced stage. We can see that happening quite soon. It is already before the Cabinet," Kumar told PTI in an interview.

Though the merger process was in the works, the government would take a call on listing the merged entity after the merger, he said. To facilitate the merger, the Budget has announced a capital infusion of ₹6,950 crore into the three public sector general insurance companies (PSGICs) in the next financial year.

This will help achieve requisite minimum solvency ratio by each of the three PSGICs, according to Budget documents. "A partial budgetary support has been made in RE 2019-20 through first batch of supplementary demands for grants and provision for further capital infusion is included. The provision is met from the National Investment Fund," it said.

The government infused ₹2,500 crore into the three insurers through first supplementary demands for grants for 2019-20 in December. In his Budget Speech 2018-19, then finance minister Arun Jaitley had announced that the three companies would be merged into a single insurance entity.

However, the merger process could not be completed due to various reasons, including poor financial health of these companies. As on March 31, 2017, the three companies together had more than 200 insurance products with a total premium of ₹41,461 crore and a market share of around 35 per cent.

Their combined net worth was ₹9,243 crore, with total employee strength of around 44,000 spread over 6,000 offices. In 2017, state-owned New India Assurance Company and General Insurance Corporation of India were listed on the bourses.

The government had raised nearly 17,500 crore through initial public offerings in New India Assurance Co Ltd and General Insurance Corp of India Ltd, the only listed state-owned non-life insurance companies. With an aim to protect interest of depositors of cooperative banks, he said the government would amend the Banking Regulation Act to avoid repeat of PMC Bank type of fraud.

"These cooperatives also play an important role in last-mile agriculture credit. So, while we need to allow them to continue to work, at the same time, if you are in the business of banking, if you are taking depositors' money, you need to follow the same rigour and robustness of the banking system," he said.

Under the Banking Regulation Act, the Reserve Bank of India (RBI) regulates and supervises the banking functions of urban co-operative banks, but their administrative control is with the Registrar of Co-operative Societies.

Regulatory lacunae in co-operative banks have come to the fore after a whistle-blower complained to the RBI about financial irregularities at Punjab and Maharashtra Co-operative Bank, which is now under an administrator appointed by the central bank. PTI DP Md.

(The writer is Rajiv Kumar.)

TOP

Source

Budget 2020: Not all account holders gain from a higher deposit cover - Moneycontrol – 4th February 2020

The sufferings of Punjab and Maharashtra Cooperative (PMC) Bank's customers are fresh in people's memory. After the bank's operations were suspended and deposit withdrawals restricted, the talk around increasing deposit insurance thresholds gained momentum.

Now, there is good news for bank depositors and savers. Finance minister Nirmala Sitharaman announced in her Budget speech last week that the government will increase the bank deposit insurance coverage to Rs 5 lakh per depositor, from Rs 1 lakh at present.

This increase would result in deposits (fixed deposits as well saving accounts) of up to Rs 5 lakh being covered by the deposit insurance scheme for banks. This cover is provided by the Deposit Insurance and Credit Guarantee Corporation (DICGC).

Would depositors benefit?

The DICGC is liable to pay every depositor, through the liquidator, when a bank fails. The key aspect to understand here is 'liquidation.' As Joydeep Sen, Independent Financial Advisor of wiseinvestor.in points out, "There have been no instances recently, wherein a bank has been liquidated and depositors have got the deposit amount from the DICGC. The directions have kept getting extended on every review date."

For instance, the Reserve Bank of India (RBI) issued directions to the Kapol Co-operative Bank from the close of business on March 30, 2017 and has been directing the bank ever since to keep the operations suspended. On January 29, 2020, the RBI once more extended the directions to July 31, 2020 and this will be subject to review again.

There are other co-operative banks that have been under RBI directions for quite a few years and it keeps getting extended after review of their financials. These include the likes of CKP Co-operative Bank since May 2012. In fact, PMC bank also runs under RBI's directives to keep its operations suspended. At the moment, depositors can withdraw Rs 50,000 from their accounts and another Rs 50,000 in case of hardships such as medical treatment, marriage in the household and so on.

Experts say that RBI typically does not prefer the course of a bank directly heading to liquidation, especially if it is a large commercial bank. The focus of the central bank is generally to revive the financials and operations and then send a bank into liquidation and pay depositors under DICGC. So far, the only pay-outs under this scheme have happened for the benefit co-operative banks' customers.

The pay-out from DICGC has never gone on to benefit any commercial bank's customers, simply because no commercial bank in India has ever been liquidated. "But, the cost of premium is borne by the entire financial sector because all banks, including commercial banks, have to pay the premium towards their individual DICGC cover. The onus of paying insurance premium is on the bank," says Sen.

Harsh Roongta, a Mumbai-based registered investment advisor says, "The DICGC scheme is the most impractical scheme. What is the point of an insurance scheme wherein depositors have to wait for years after the event has happened for their own money?"

Also, the insurance cover hike will apply to existing account holders as well and not just to newly-opened deposits.

(The writer is Hiral Thanawala.)

Source

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PM asks for revamp of Govt's two key insurance schemes - The Economic Times – 3rd February 2020

Prime Minister Narendra Modi has asked for a revamp of two key insurance schemes backed by the government to make the entire claim settlement process available on a digital platform and ensure timely and automatic payments to all policyholders.

Nearly 220 million people are covered by the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY), a life insurance and an accident insurance scheme respectively, launched in 2015.

Both these schemes were reviewed by the PM on January 22 and as per minutes of that meeting accessed by ET, he asked for a digital platform to be created to settle all claims under the two schemes. "The Department of Financial Services, states and UTs (Union Territories), banks and insurance companies should develop a mechanism to make automatic, hassle-free and timely payment to policyholders," the PM said, as per the minutes.

The Department of Financial Services was also asked to "revisit the criteria and policy of the lien period" in both the policies. The government had introduced a lien clause in the PMJJBY and PMSBY, specifying that insurers do not have to settle claims in case of death during the first 45 days of enrolment under the scheme, except in case of Pradhan accident.

This clause has led to complaints from people, according to people aware of the matter. "Department of Financial Services and banks should sensitise their officers to increase efficiency and effectiveness for dealing with grievances," say the minutes, recording the PM's directions. The PM also directed the department, along with banks and insurance companies, to "strive to cover more people under the scheme".

(The writer is Aman Sharma.)

Source

[TOP]

Small banks may get a trust vote with hike in deposit insurance – Mint – 3rd February 2020

The Union budget proposal to raise deposit insurance fivefold is expected to increase confidence in small private sector banks, small finance banks and cooperative banks, two industry officials said.

Against the backdrop of a shaky financial system and the recent collapse of the Punjab and Maharashtra Co-operative (PMC) Bank, the Union budget proposed to raise deposit insurance to ₹5 lakh per depositor from the existing ₹1 lakh. The greater cover is likely to assuage depositors and restore some faith in the financial system.

According to Anil Gupta, vice president and sector head of financial sector ratings at ICRA Ltd, the measure is expected to increase the deposits insured as a percentage of total deposits to around 40-50% from 28% as of FY19.

"I believe that this move will benefit the banks where depositor confidence is low and people kept only up to ₹1 lakh in such banks. Depositors could now put in a larger sum of money and possibly at higher interest rates also," said Gupta.

Banks with relatively less depositor confidence typically pay higher interest rates to attract funds. For instance, while State Bank of India and HDFC Bank pay 6.1% and 6.3% interest rate, respectively for a one-two year deposit, Suryoday Small Finance Bank and AU Small Finance Bank pay 8.25% and 7.5-7.63%, respectively on deposits of the same tenure. The general public perception is that state-owned banks, notwithstanding their risk profile, have a sovereign guarantee on deposits.

“The increase in deposit insurance cover to ₹5 lakh makes deposit insurance to per capita (income) in India, one of the highest after Brazil and the US. This will bring back trust in cooperative banks, although we expect it will be only the proposed reforms in regulation of cooperative banks that will make the circle complete," said Soumya Kanti Ghosh, group chief economic adviser at State Bank of India.

The Deposit Insurance and Credit Guarantee Corporation (DICGC) is governed by the provisions of the DICGC Act of 1961 and the DICGC General Regulations of 1961 framed by the Reserve Bank of India. At present, banks pay 10 paise for every ₹100 of deposits it has.

As of FY19, DICGC had insured deposits worth ₹33.7 trillion in 2,098 banks, most of them being cooperative banks (1,941) and the rest commercial (106) and regional rural banks (51). While commercial banks paid a premium of ₹11,190 crore on deposits, cooperative banks paid ₹850 crore in FY19.

In FY19, DICGC settled aggregate claims of ₹37 crore in 15 cooperative banks. There were no claims from commercial banks. “The claimed amount was primarily for banks in Uttar Pradesh, Odisha and Maharashtra," the corporation said in its 2018-19 annual report.

Credit Suisse also said in a note on 1 February that the move may benefit smaller private banks and the estimated increase in insurance premiums is about $4 billion for system (or around a 25-basis point impact on deposit costs), which will likely be passed on to borrowers or depositors.

There is still a debate over whether the deposit insurance premium should be different for different categories of banks, based on risk. *Mint* reported on 16 December that in the past two decades, commercial banks have paid 13 times the premium charged to cooperative banks, citing data from DICGC.

Gupta of ICRA said that for fair competition, the premium should be aligned to the bank’s risk profile.

“Moreover, the corpus of the DICGC should also be increased to be able to meet any future requirements arising out of an unlikely event of a bank failure. That could be done by increasing the deposit insurance for banks with weak asset quality and thin capital buffers," he explained.

While the increase in deposit insurance—the first since 1993—may not be sufficient, considering people keep greater sums in banks nowadays, the proposal has partially addressed the current unease about the financial system, simmering since the crisis at PMC Bank.

(The writer is Shayan Ghosh and Gopika Gopakumar.)

Source

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Hike in deposit insurance to pinch banks – The Economic Times – 3rd February 2020

Indian banks may have to contend with slightly higher operating costs after the budget raised five-fold the cover on fixed deposits held by savers, with proposals to include the profitability risks of individual lenders in their premium liabilities to make the process more equitable and fair.

The budget Saturday raised the cover guaranteed by the Deposit Insurance and Credit Guarantee Corp (DICGC) to Rs 5 lakh from Rs 1 lakh. Bankers are hoping that along with the amendment to increase the amount of insured deposits, the government will also move toward a risk- based assessment of premium payable so that the high-risk lenders with profitability issues pay most of the premium. Banks pay a half-yearly premium to the DICGC for insuring the deposits of their account holders based on their total assessable deposits.

The premium paid by the insured banks to DICGC is required to be borne by the banks themselves and is not passed on to the depositors. A delay in payment of interest attracts an 8 per cent penal rate above the bank rate, which is currently at 6.5 per cent. DICGC, which is an arm of the RBI, can also cancel a bank's licence if a bank fails to pay premiums for three consecutive half year periods.

Banks pay Rs 10 for every Rs 10,000 of deposits insured. The last change in the premium calculation was made in April 2005 when it was raised from Rs 8 per Rs 10,000 of deposits. The Rs 1 lakh limit for deposits insured was last changed in May 1993. The demand for the change in limits has gained momentum particularly after the collapse of Punjab Mumbai Co-operative Bank (PMC) last year, which forced RBI to put withdrawal restrictions on depositors.

"The budget proposal to increase the insured deposit amount will increase our cost no doubt. But one will have to see how they will work it out. There is a suggestion that instead of all banks paying the same premium, we should move to a risk based measurement which is fair because the problems are mostly coming from co-operative banks and commercial banks are paying majority of the premiums. But one will have to see how they work it out," said Prashant Kumar, CFO at SBI.

Bankers say the cost banks will have to bear will depend on whether the government will amend the DICGC Act to include calculation for the premium paid based on the risk assessment of banks. "It all depends on what they do and how they amend it. It has to pass through Parliament so this is just a proposal now. They may well put the high risk-high premium clause in the act, which will mean different banks will pay a different premium," said a senior banker.

The DICGC annual report for 2018-19 shows that while a total amount of Rs 296 crore was paid toward claims of 27 commercial banks since the inception of deposit insurance, Rs 4,822 crore of claims were paid for 351 co-operative banks.

Commercial bankers argue that since the last failure of a commercial bank was decades ago, they must not be asked to pay a premium to insure depositors of co-operative banks. Currently, there are 12 commercial banks under RBI's prompt corrective action restrictions and they could be deemed as high-risk if that parameter is adopted.

To be sure, the DICGC has aRs 93,750 crore insurance fund collected so far which covers 92 per cent of the bank accounts fully. However, out of the Rs 120 lakh crore total deposits as of March 2019 just 28 per cent of Rs 33.7 lakh crore are insured. This ratio could go up after the higher deposit ceiling is adopted. In a note, rating agency Crisil said the higher limit of Rs 5 lakh will increase coverage to over 75 per cent of all term depositors compared with 61 per cent earlier.

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Source

Healthcare & Insurance: Industry reacts to Union Budget 2020 - Outlook – 2nd February 2020

Finance Minister Nirmala Sitharaman, while presenting Union Budget 2020, has focused on improving healthcare needs of the masses, MSME, generation of employment and inclusive growth through increased expenditure on rural economy and economic development. Experts feel this will enable quality healthcare in Tier II and III cities. "The allocation of Rs 69,000 crore to healthcare will enable further reforms in the sector, and create employment opportunities. The larger focus on Ayushman Bharat and Mission Indradhanush will increase access to quality healthcare services, particularly in Tier II and III cities. The government's move to expand Jan Aushadhi Kendras will make medicines more affordable and will certainly improve health and longevity in the country going ahead," said Prasun Sikdar, MD & CEO, ManipalCigna Health Insurance. "Taxing dividends in the hand of the investor may have a marginal long-term impact on REIT and InVIT valuations. No significant incentives for infrastructure and real estate is a disappointment. Outlay for rural and Agri sectors are less than expectations. Budget reflects the constraints of the sluggish economy within which FM has had to operate," commented Mihir Vora, Director & Chief Investment Officer, Max Life Insurance.

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Source

Budget allocates close to ₹7,000 crore for recapitalisation of three PSU general insurers – The Hindu Business Line – 2nd February 2020

Finance Minister Nirmala Sitharaman seems to have set her eyes firmly on state-run insurance companies in Union Budget 2020-21.

While state-run banks did not get any allocation for capital infusion, the Budget presented on February 1 has set aside ₹6,950 crore for recapitalisation of the three public sector general insurance companies — National Insurance, Oriental Insurance and United India Insurance.

"Provision is for higher requirement for maintaining the requisite minimum solvency ratio by each of the three public sector general insurance companies," the Budget documents said, adding that partial budgetary support has been provided in the Revised Estimate of 2019-20 through the first batch of supplementary demands for grants and provision for further capital infusion is included. "The provision is met from the National Investment Fund," it added.

The Centre had infused ₹2,500 crore in the three insurers — National Insurance, Oriental Insurance and United India Insurance — through the first supplementary demand for grants for 2019-20, in December last year, and there have been expectations of more capital infusions to improve their solvency ratio. Experts welcomed the move, even while they remained concerned about the lack of allocation of capital for public sector banks in the Budget.

"The recapitalisation capital outlay for the public sector insurance companies would be credit positive for the three public sector general insurance companies (all of them are undercapitalized)," said Karthik Srinivasan, SVP and Group Head, Financial Sector Ratings, ICRA Ltd. The move will not only help improve their solvency ratio but is also expected to help fast-track their merger process. In Union Budget 2018-19, former finance minister late Arun Jaitley had announced that the three companies would be merged into a single insurance entity. It is expected to be listed thereafter.

IRDAI data had also revealed that state-run general insurance companies, barring Oriental Insurance, have ceded market share to their private sector peers in 2018-19. However, the lack of any funds for public sector banks could pose a challenge. "The worry is that there is no specific mention for bank recapitalisation, which when read with RBI's Financial Stability Report that NPLs could still haunt Banks in India, could raise concerns and cripple the ability of banks to lend," said RK Gurumurthy — Head Treasury, Lakshmi Vilas Bank.

Noting that the government has infused over ₹3.5 lakh crore in public sector banks over the last few years, Sitharaman announced that a few of them would now be encouraged to approach the capital market to raise additional funds. According to Srinivasan of ICRA, the move is in line with the agency's estimate of limited capital requirements of PSBs during the next fiscal year as most are likely to turn profitable. "We expect most of the PSBs to turn profitable in FY2021 and raise capital from the markets for their growth requirements," he said.

(The writer is Surabhi.)

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Source

Budget 2020: What's new for insurance sector – Financial Express – 2nd February 2020

Budget 2020-21: The new optional "Simplified direct tax structure" has reduced the overall tax rates for individuals; however, it removes all deductions allowed earlier (specifically deductions under section 80C, 80CC, and 80D). ICRA notes this development as a negative for life insurance companies, and general insurance companies with a high retail health premium book – a large part of the insurance companies' retail premium is driven by tax exemptions for individuals.

The higher crop insurance expenditure outlay is credit neutral for the general insurance industry, as the earlier budgeted expenditure was not fully utilised. The recapitalisation capital outlay for the public sector insurance companies would be a credit positive for the three general insurers (all of them are undercapitalized). Recapitalisation can help the three general insurance companies with some capital to improve their solvency ratio. The three public sector general insurance companies are National Insurance, the Oriental Insurance Company and United India Insurance.

The Life Insurance Corporation (LIC) is likely to become the nation's largest company by market value on the day of the listing given it's the largest company on the basis of assets under management (AUM). Being a government owned entity, the company would see a valuation gap with its private players. The IPO for LIC would likely improve product transparency and efficiency across the entire life insurance sector, which should be a credit positive.

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Source

Budget 2020: Bank's deposit insurance premia to rise by over Rs 28,000 cr – Business Standard – 2nd February 2020

The hike in insurance cover for deposits to Rs five lakh from Rs one lakh will entail a rise over Rs 28,000 crore in premium to be paid by banks, according to foreign brokerage Credit-Suisse. Banks paid a combined insurance premium of Rs 12,043 crore in 2018-19 to the Deposit Insurance and Credit Guarantee Corporation, (DICGC), up from Rs 11,128 crore paid in 2017-18. DICGC is a subsidiary of the Reserve Bank of India.

At present, banks pay 10 paise as premia for per deposit of Rs 100. The last revision in premium was done in 2005. Earlier, bank used to pay eight paise for per deposit of Rs 100, DICGC said. Bankers said while any rise in premium amount would not significantly dent their balance sheets, they would nevertheless discuss matter with RBI. The banking regulator can share the burden of the increase in the premium on deposits, they added.

DICGC collects insurance premia from insured banks for administration of the deposit insurance system. The premium paid by the insured banks to the Corporation is required to be borne by the banks themselves and is not passed on to the depositors. The premia to be paid is computed on the basis of their assessable deposits. Insured banks pay advance insurance premia to the Corporation semi-annually, within two months from the beginning of each financial half year, based on their deposits as at the end of previous half year.

(The writer is Abhijit Lele.)

TOP

Source

Bank depositors can breathe easy with ₹5 lakh cover – The Hindu Business Line – 1st February 2020

In a bid to restore the confidence of depositors, the Budget has increased the deposit insurance cover to ₹5 lakh from the existing ₹1 lakh. Given that the coverage under the Deposit Insurance and Credit Guarantee Corporation of India (DICGC) was last raised in 1993, from ₹30,000 to ₹1 lakh, the revision was long overdue. And given that India has the lowest deposit cover *vis-à-vis* other countries, the move is surely welcome.

But a higher deposit cover would imply that the stronger banks will have to pay a higher premium, mostly for the benefit of weaker banks. Will the banks pass on this rise in premiums to the depositors? Or will the recommendations of the Jasbir Singh committee for introduction of risk-based premium be adopted? For more clarity on this, the final contours of the proposal will have to be studied carefully.

Relief indeed

Deposit insurance in India covers all commercial banks, small finance banks, local area banks, regional rural banks and co-operative banks. Each depositor is insured up to ₹1 lakh for both principal and interest. The deposits kept in different branches of a bank are aggregated for the purpose of insurance cover.

Applying the inflation rate (consumer price index as put out by RBI) since 1993, the deposit insurance cover should have been around ₹5.5 lakh, currently. Raising the cover to ₹5 lakh is, hence, more or less in line with most expectations.

The increase in cover will also imply that more deposits are covered under DICGC. Currently, only 28 per cent of deposits in value is covered. This is because, a decade ago, when 60 per cent of deposits in India were covered under DICGC, nearly 45 per cent of bank deposits were in the less than ₹1 lakh bucket. But, currently, only 7 per cent of deposits are in the less than ₹1 lakh category. A much higher 37 per cent of deposits are in the ₹1- 15 lakh range now.

The deposit cover in India has clearly not kept pace with the sharp jump in the average size of deposits over the past decade. In 2004-05, the average amount in each account was about ₹37,000. Over the last decade this amount has almost doubled to about ₹67,000.

Hence the higher ₹5 lakh cover is sure to bring relief to depositors. But the cover is still among the lowest globally. At about $7,000, India's deposit cover is still lower than that of Malaysia, at about $60,445 (according to 2019 annual survey by the International Association of Deposit Insurers), and even Indonesia with a cover of $1,39,860. The equivalent figure for Brazil is $64,519 and for Mexico about $1,26,743.

Pertinently, in countries such as Mexico, coverage levels are indexed to inflation, and for the deposit insurance to hold any real value, it would have been better to insure deposits based on an inflation index. But what should immediately concern banks and depositors is the question of who will bear the cost of the increase in insurance cover.

Higher cost

A key roadblock to increasing the cover until now has been the resultant increase in premium, which is currently borne by the banks, and not the depositors. The DICGC currently charges a maximum premium of up to 10 paise per ₹100 per annum. Hence, larger banks with higher deposit base would end up bearing the burden of a higher premium.

To overcome some of these issues, a committee headed by Jasbir Singh had, in 2015, made recommendations for the introduction of risk-based premium for banks (higher the risk, higher the premium).

The effective premium rate could be determined by multiplying the base rate by a multiple (a multiplicative factor) representing rating. On, say, a base premium rate of 10 paise, a bank falling within the topmost category (with least risk) will have a multiple of 0.95, which would imply an effective premium of 9.5 paise. The multiplicative factor goes up to 1.25 for the highest risk category of banks. But whether these recommendations are implemented remains to be seen. In any case, with banks having to pay higher premium, some of this could get passed on to the depositors, directly or in the form of higher charges on other transactions.

(The writer is Radhika Merwin.)

[TOP](#)

Source

Will travel insurance cover flights canceled due to the coronavirus outbreak? - CNN – 1ST February 2020

The outbreak and spread of the coronavirus is causing widespread disruption, with airlines worldwide suspending all flights to China. At least 213 people have died from the virus, which originated in Wuhan, and the US State Department has advised against all travel to China, escalating its warnings to the highest level. The situation has left travelers with questions over whether they can expect insurance compensation for canceled trips.

Travel insurance comparison site InsureMyTrip has reported a substantial increase in calls from worried passengers looking for clarification on their travel coverage. Although many airlines have relaxed their policies, offering waivers on amendment fees or the choice to cancel for credit towards an upcoming flight, it seems most travel insurance policies simply do not account for scenarios such as this.

"While many travel insurance plans provide for cancellation for an airline shut-down in services due to a mechanical failure, adverse weather or natural disaster, they do not provide for an airline shut-down due to the coronavirus outbreak," explains Stan Sandberg, co-founder of TravelInsurance.com.

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Source

HEALTH INSURANCE

Ten Updates Made by the IRDAI in the Health Insurance Sector – Moneycontrol – 7th February 2020

For the longest time, buying health insurance was not something everyone considered. The insurance industry levied premiums as they pleased, making one take their chances with hospital bills. The sector had total control over the coverage they wished to offer and the premiums they wanted to charge. But it all changed when the Insurance Regulatory & Development Authority of India or IRDAI stepped in.

The IRDAI battled on behalf of the common man and got the insurance sector to put an end to their bullying. It reasoned that policyholders would pay a certain premium, and the insurance provider would manage the medical expenses. While it was a significant development, the IRDAI somehow lost its effect in the past few years. However, the body has now introduced ten changes or updates in the Insurance sector in India. They are as under:

Insurance providers must make provisions for instalments
Health insurance premiums are anything but pocket-friendly. It is not at all easy to pay the insurance premium in a lump sum, especially if one's means and sources of income are limited. A high premium can

massively affect the monthly budget of such people. Keeping this in mind, the IRDAI has made it possible for people to pay their insurance premiums in instalments. You may pay your premiums in monthly, quarterly and half-yearly payments. However, there is a catch. The free-look period for people opting for monthly or quarterly premiums will be less when compared to those opting for half-yearly or annual premium payment.

Changes in the eligibility criteria
As per previous rules of health insurance, one could be eligible for insurance cover if they belonged to the age group of 18 and 65 years. One had to pay higher premiums upon crossing the age of 65 years. Some insurers even reserved the right to cancel insurance after customers turned 65-75 years. However, as per the new updates, one can enjoy lifelong renewability, without worrying about their insurance getting cancelled.

The IRDAI has revised the limits for sums assured
Every health insurance policy comes with a minimum, and maximum limit on the sum insured. The IRDAI has changed the minimum limit to ₹100,000 and the maximum limit to ₹500,000.

Critical illnesses are to be included
Individuals suffering from neurodegenerative or psychological disorders, mental illness and genetic problems could not seek treatment for the same under their health insurance plans. But with the new updates mandated by the IRDAI, insurance providers may not exclude the treatment of these diseases.

The IRDAI has drafted a new list of exclusions
Every health insurance policy cannot offer complete coverage for all kinds of illnesses as it can put a substantial financial burden on the insurance sector. Keeping this in mind, the IRDAI has updated its list of diseases that are excluded from coverage under health insurance. As per the update, people suffering from 16 major illnesses, most prominently conditions such as epilepsy and chronic kidney problems, among other things, may not seek treatment for the same under their health insurance policy. Health insurers are not liable to provide services for these treatments.

Changes in terms of pre-existing illness policies
People suffering from pre-existing diseases can get health insurance. However, such people could not file claims for treatment for those diseases until they completed a minimum waiting period of three to four years. During this time, the insurer was not obligated to provide coverage for the pre-existing period until the waiting period was over. In fact, the disease was not included in the policy until the end of the waiting period. However, as per the updates mandated by the IRDAI, if one is diagnosed with a disease within three months of purchasing insurance, the insurance provider is mandated to note it. They must then include coverage for the disease in the policy instead of implementing the waiting period on the policyholder.

The IRDAI has revised the free-look period
According to the new rules proposed by the IRDAI, policyholders will get 15 days (from the policy purchase date) to review their insurance policy and the terms and conditions mentioned in it. If they are dissatisfied with the plan, they must cancel it within the 15 days.

Insurers must provide a grace period to pay insurance premiums
The IRDAI has directed insurance companies to give a few days to their customer to pay their insurance period if they are unable to pay them, before the policy expires. Insurers must provide a grace period of 15 days for policyholders opting for instalments and 30 days for those opting for semi-annual and annual payments.

The IRDAI has updated the waiting periods on various diseases The final update made by the IRDAI is concerning the waiting periods on diseases. It has created two new timelines for waiting periods. As per the IRDAI, diseases will now be divided into 24 months waiting periods and 48 months waiting period. For instance diseases like cysts, pilonidal sinus etc., are covered under the 24-month waiting-period and treatment for joint-replacement is covered under the 48 month waiting period (unless the procedure is needed due to an accident or age.

IRDAI has mandated that insurers must provide clear reasons for rejecting claims
Many people have claimed that insurance companies often cite irrelevant or fake reasons to deny insurance claims. The IRDAI has considered this and created a protocol that all insurance providers must follow. It has created a chart featuring 18 codes which every insurance provider is mandated to follow while assessing claims.

Final word: As per the IRDAI, every insurance provider is mandated to adopt these updates in the policies by October 2020. Also, insurers, who have launched new plans in October 2019, are mandated to implement these updates right away. At the onset, it must be said that the changes proposed by the IRDAI look positive and may well work for the welfare of both the insurance sector and its customers.

TOP

Source

Why senior citizens should go for a dedicated health insurance cover – The Hindu Business Line – 7th February 2020

Healthcare remains a critical element for senior citizens and so does a health insurance policy to cover medical emergencies. Increasing age means higher risk of health-related problems and the critical need to buy health cover. Therefore, having health insurance becomes significantly important for senior citizens dependent on the interest income from their savings or pensions.

Majority of senior citizens in India are exposed to various lifestyle diseases including diabetes, high blood pressure and cardiovascular ailments. Considering the existing situation, insurers offer various health insurance plans for senior citizens covering their pre-existing diseases. Also, many insurers offer coverage to senior citizens, either by including some senior citizen-centric features in the general schemes or by offering special schemes.

However, considering the current medical inflation which makes affordable quality healthcare a difficult task, separate plans for senior citizens are recommended. Such plans are specifically designed cater to the needs of senior citizens.

Therefore, choosing a separate plan for senior citizens is must as regular plans come with many caveats, which include strict medical tests, higher co-payment, specific exclusions and longer waiting periods for those with pre-existing diseases. Health policies for senior citizens are easier to buy given recent regulatory changes.

Entry age
In accordance with the provisions of Regulation 12(i) in IRDAI (Insurance Regulatory and Development Authority of India) health insurance regulations 2016 titled 'Entry and Exit Age', all health insurance policies should provide for an entry age of at least up to 65 years.

However, there are also several health insurance products that offer coverage to customers beyond the age of 65 years. This includes Religare Health Insurance's NCB Super Premium, Star Health's Senior Citizens Red Carpet, HDFC Ergo My:health Suraksha Silver Smart and Max Bupa Health Insurance's Health Companion.

Premium payment
As per a circular issued by the regulator IRDAI in September 2019, customers now have the option to pay health insurance premiums on a monthly, quarterly or a half-yearly basis, in addition to the current premium-paying option on an annual basis.

Health insurance is not part of many senior citizens' financial planning, though they need it the most. They consider buying it but are discouraged by the costly premiums and strict conditions. However, now senior citizens can pay health insurance premiums periodically.

The terms and conditions of health insurance will continue to remain unchanged despite the difference in the premium-payment frequency. But note that this facility of paying premium in monthly/quarterly/half-yearly basis comes with a caveat — the free-look period for monthly or quarterly premiums will be considerably lower than what one gets on paying premiums yearly.

Standardised for all
Senior citizen health insurance policies are designed to cover almost all kind of medical expenses which would otherwise be borne by the person himself.

Considering the vulnerability to medical conditions and the lack of regular income that most senior citizens face, the cost of daycare treatment puts pressure on senior citizens. So, many senior citizen health policies now also cover daycare treatment.

(The writer is Amit Chhabra.)

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Source

Health cover: IRDAI to make mandatory disclosure of hospital quality parameters – The Hindu Business Line – 7th February 2020

When buying health cover, you may soon get to know some parameters of quality of empanelled hospitals. With a view to improve information flow to policyholders about hospitals engaged by insurers and Third Party Administrators (TPAs), the Insurance Regulatory and Development Authority of India (IRDAI) is planning to make it mandatory for insurers to disclose key quality parameters of hospitals.

According to an exposure draft released by the regulator, insurers and TPAs will have to disclose doctor-bed ratio, nurse-bed ratio, doctor — patient bed ratio in ICU, C-Section rate, average length of stay, among others. Apart from this, total bed strength in a hospital, number of doctors, total number of qualified nurses, beds in intensive care units, doctors and nurses available exclusively for intensive care unit patients should also be disclosed.

The policyholders, who wish to know these details will be allowed to access relevant information on the portal of respective insurer and TPA. The regulator is likely to come up with a final order in about a couple of months, according to official sources.

TOP

Source

Health insurance is a necessity; don't see it as a tax-saving instrument – CNBC – 6TH February 2020

Finance Minister Nirmala Sitharaman on February 1, 2020, presented the annual budget for the fiscal year 2020-21, which begins from April. The NDA-led government unveiled its second annual budget after winning the Lok Sabha elections for the second consecutive term. The finance minister in her budget speech made some major announcements which were directed towards the taxpayers of the country. With budget 2020, the government has tried to put more money in the hands of taxpayers by curtailing the incentives to save.

This year, the finance minister has provided taxpayers with two options – the old regime and the new regime. Under the old or existing income tax regime, the taxpayers are allowed to avail existing income tax exemptions and deductions while the new tax regime comes with slashed income tax rates and seven new income tax slabs but without any tax exemptions and deductions. Now which tax regime – the old or new – is beneficial for whom is very subjective to a taxpayer's income composition and investments made, though it is quite clear that the new tax scheme will significantly benefit taxpayers falling in certain brackets if not all.

Talking about the impact of budget 2020 on the Indian health insurance industry, it is true that tax exemptions are an important incentive for the purchase of health insurance. As per the Finance Act (India), premiums paid towards medical insurance offers tax benefits under Section 80D of the Income Tax Act. With the new income tax regime in place, people may not be motivated to buy health insurance as strongly they are today. What people need to understand is that health insurance apart from saving you from the massive cost of medical expenses in case of adversity, helps you to enjoy tax rebate at the same time.

Focus on healthcare

Even the finance minister while presenting the financial budget this year emphasised on improving healthcare needs of the masses. In total, Rs 69,000 crore has been allocated towards the healthcare sector with an aim to increase access to quality healthcare services particularly in Tier II and III Indian cities. With investment in healthcare going up, the clear focus of the budget seems to focus on making healthcare more accessible with increased infrastructure.

It is also believed that the measures proposed in the budget will support to regulate the gap and play an important role in making healthcare a priority for one and all and create further awareness around health insurance. An adequate health insurance policy not only protects you from any financial loss due to an unexpected medical emergency but even gives you access to quality healthcare services.

India also has recorded the highest out-of-pocket expenditure on healthcare, as compared to other developing nations and most of the measures proposed in this year's budget will support to regulate this wide gap with the help of health insurance. Fortunately, various health insurers have already developed insurance products that cover out-of-pocket expenses like OPD and day-care procedures. This will provide a significant boost to the health insurance penetration rate in India.

The core objective of insurance is protection, and that is what must be the focus area, i.e. term life, health, and disability products. The insights show that consumers must not buy these products for tax benefit alone. This budget will validate these insights, as it is believed that it's time the middle class buys insurance for its real benefit, which is protection.

With so many changes being made, it will be interesting to see at what does the aspirational Indian now looks at. Anyone going for the new tax structure will surely end up spending more on not so important products rather than spending on discretionary items.

While making a choice, the aspiring Indian will need to keep in mind that money not spent on some very important financial elements like insurance just in the urge of saving more tax could become a regret at some point in the future as situations like death, disease and disability can hit anyone, anytime and it is always better to stay prepared.

(The writer is Amit Chhabra.)

TOP

Source

Insurance woes unite hospitals – The Times of India – 6th February 2020

To collectively raise and represent issues plaguing hospitals and nursing homes, a group of doctors and nursing homes in Ahmedabad have jointly formed what is known as Ahmedabad Hospitals and Nursing Homes Association (AHNHA). One of the key issues highlighted by the association was about issues faced by these hospitals with insurance companies and third-party administrators (TPAs).

“The rates offered by insurance companies to member hospitals are too low, which make it unviable to offer quality services to patients. Moreover, the charges have not been revised from many years, which make sustaining operations a challenge,” said Dr Bharat Gadhvi, president of the association, while briefing the media, on Tuesday.

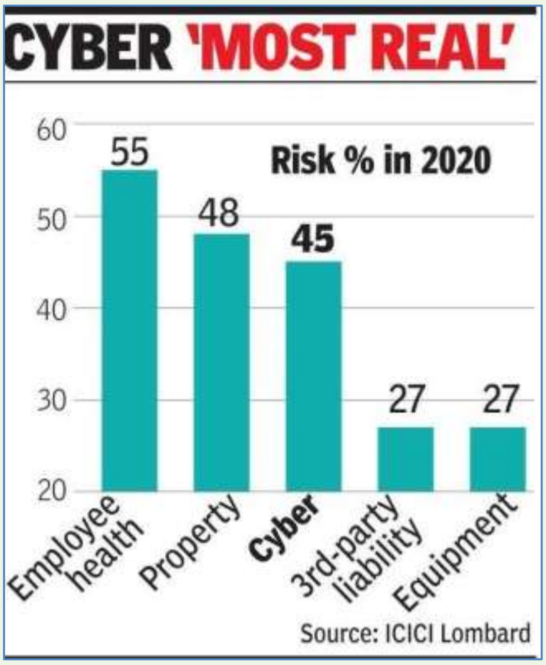
AHNHA members also mentioned that there is no standard criteria for empanelling hospitals. “The association is also opposed to the General Insurance Public Sector Association (GIPSA) Preferred Provider Network (PPN) packages and describes them as unrealistic. AHNA will also represent to the government for providing a single window for issuance of new licences as well as renewal of licences,” said one of the members.

TOP

Source

Cos cover health risks most, not realty – The Times of India – 6th February 2020

For chief risk officers (CROs) of India Inc, employee health cover has overtaken protection against risk to property for the first time. However, cyber risks are considered the most probable to materialise. Historically, property risks have been the biggest that a CRO in a corporation had to cover. But the growing relevance of the services sector and rising costs of healthcare have meant that companies have more at stake in employee well-being.



According to ICICI Lombard’s annual survey of risk managers, 55 percent of respondents see employee health as a crucial risk as compared to 53 percent last year. This is higher than property risks, which are considered to be crucial by 48 percent of the respondents as against 55 percent last year. “There might be a bit of recency bias in the responses as this year there was no national catastrophes,” said ICICI Lombard General Insurance MD & CEO Bhargav Dasgupta. He added that health insurance was becoming a major item for most companies.

“There might be a bit of recency bias in the responses as this year there was no national catastrophes,” said ICICI Lombard General Insurance managing director & CEO Bhargav Dasgupta. He added that health insurance was becoming a major item for most companies.

“Progressive companies are becoming aware of the need to not just provide health insurance, but ensure that employees remain healthy. We are working with companies to provide something that is like a managed healthcare by taking proactive measures to tackle health risks,” said Dasgupta. He added that companies now know it is not enough to save premium by bargaining on the rates and realise that annual health checks can play a preventive role.

Interestingly, while health is the most crucial risk, corporates see cyber risks as something most likely to materialise. According to Dasgupta, this is because of the awareness of data breaches that have been making headlines. “It is not just technology companies that are worried about cyber risks. Even traditional industries, like those in the power sector, are worried about cyber risks that can disrupt their business," said Dasgupta.

The other new-age risk that companies were worried about was relating to climate change. "While weather risks are covered under traditional property insurance, businesses are realising that weather events can result in disrupting the entire supply chain, triggering losses which cannot be covered," he said. "Insurers can help companies in not just transferring risks but also managing them. By analysing claims data, we have been able to help companies cut losses in transit and in property insurance," said Dasgupta.

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Source

Knowing the right cancer plan – Outlook – 5th February 2020

World Cancer Day is celebrated every year on February 4 and this year's theme is– 'I am and I will.' The main purpose is to create awareness and encourage prevention, detection and treatment at the earliest.

Health insurers understand the need for cancer insurance and offer various products with wider features. Life insurers too add cancer as riders option or include under critical illnesses plan. Few insurers offer cancer insurance under bite-size insurance too.

According to National Health Profile, 2019 data cases of common cancer, including oral, cervical and breast cancer diagnosed at state-run NCD clinics increased by nearly 324 per cent between 2017 and 2018. Top five cancers that affect Indian population are Breast, Oral, Cervical, Gastric and lung cancers.

"Cancer is an illness that creates terror in people's minds due to the nature of the ailment and the cost involved. The treatment procedures are often exorbitantly priced, which means that footing the bills by dipping into savings funds is out of question," said Mayank Bathwal, CEO, Aditya Birla Health Insurance.

"Some cancer plans promise to pay 25 per cent of the cover amount and there are a few new insurers who offer lump sum payouts up to 150 per cent of the sum insured. Ascertain whether the plans will cease to be in force once the claim amount is paid out. Since some forms of cancer are known to recur, the longevity of the policy is very important", Bathwal added.

According to Bajaj Allianz General Insurance, India has seen a surge in cancer cases from the financial year 2016 to 2019.

The report says, there has been a 79 per cent increase in the number of claims due to cancer. While the average claims size is around Rs 75,000 to Rs 80,000 the highest claims pay out for 2019 was more than Rs 25 lakh. Also, on an average 40 per cent claimants are males as against 60 per cent female claimants. The average claiming age group lies between 50-60 years and only 30 per cent of the cancer claimants are individual policyholders as against 70 per cent of people who are covered under group mediclaim coverage policies. It also mentions that breast cancer is contributing 26 per cent of the claims each year.
Claims across the states during (2016-19).

"Cancer related claims are getting more frequent over the past few years. While the average age group is between 50 and 60 years, it is a disturbing trend to see that similar cases are on rise in children between the age of 0 and 10 years. Also, women are more susceptible to cancer, with an average 60 per cent of the claimants being females and breast cancer amounts to 26 per cent of claims each year," said Sweetie Salve, Vertical Head Claims Medical Management, Bajaj Allianz General Insurance.

Also it is important to get one's family covered under adequate health insurance as cancer spares no age group. Hence we suggest that your basic health insurance policy should offer you a minimum of Rs 5 lakh coverage, and you can top it up with aRs 10 lakh super top up policy or opting right riders to meet the medical expenses.

Number of Claims State wise	% Increase in claim count
Maharashtra	87
Delhi	88
Karnataka	86
Telangana	75
Gujarat	42
Tamil Nadu	93
West Bengal	50
Haryana	28
Kerala	101
Punjab	83
Uttar Pradesh	152
Rajasthan	90
Andhra Pradesh	87

"These critical illness policies are benefit policies where the payment is one time lump sum amount giving you an option to utilise the received funds wisely. A combination of these covers would not only give you adequate coverage, but will also be an economically viable option – an apt financial shield against any cancer-related health exigency," noted Salve.

The average claim size falls around Rs 80,000. There are cases where the treatment amounts up to Rs 10 to 20 lakh. This calls for a collective check to our lifestyle, which ranges from the food intake to the activities we undertake.

Some general tips to prevent cancer include saying 'No' to tobacco, being cautious of what we eat, going green with diet, avoiding processed foods and doing regular exercise.

TOP

Source

Released Rs 3,520 crore in last two years to states under AB-PMJAY: Health Minister - The Economic Times – 4th February 2020

The Health Ministry has released Rs 3,520 crore in last two years to states under the Ayushman Bharat scheme, Health Minister Harsh Vardhan informed Parliament on Tuesday.

Replying to a question in Rajya Sabha, Vardhan said the reasons for slow utilization of funds allocated under the health insurance scheme was because four states - West Bengal, Telangana, Odisha and Delhi - which account for 20 per cent of the eligible beneficiary population, were not implementing the scheme.

"Two big states (Punjab & Rajasthan) have joined AB-PMJAY only in late 2019. Large states (UP, MP and Bihar) which account for 30 per cent of the beneficiary population are implementing the scheme for the first time and hence, their demand is still picking up," he said, explaining the reasons for the slow utilization of funds.

Vardhan said the experience of the last 16 months showed the average premium amount is Rs 800 per family per annum, however, this had been estimated at Rs 1,052 at the time of the inception of the scheme. Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana is India's flagship public health insurance scheme.

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Source

World Cancer Day: Know which cancer plan is better for you – Financial Express – 4th February 2020

According to industry reports, cancer is the second leading cause of death after heart disease in India. Also, because of our fast-paced and unhealthy lifestyle, experts say the incidence of this disease is set to increase. With its scary track record, this dreaded disease strikes fear in even the most strong-willed.

Though there is no absolute prevention against cancer, however, following a healthy lifestyle can help in the long run. Also, cancer is usually treatable if diagnosed early. Along with the alarming increase in its number, the expenses for the treatment of this disease are exorbitant. Having a health insurance policy helps but not many health insurance policies provide cover for such critical illness. Hence, in case this dreaded disease strikes, a cancer policy, in such a case, can soften the financial blow.

Benefits of Standalone Cancer care plans
Various insurance companies offer standalone cancer covers, such as the Max Life Cancer Plan, ICICI PRU Heart+Cancer cover, Future Generali Cancer protect plan, AEGON life iCancer plan, HDFC Life Cancer Care Plan, and LIC Cancer Cover Plan. These insurance policies are disease-specific policies that come with a sum assured of a higher range, online normal health insurance plans.

One of the main reasons for opting for these plans is that it makes payouts at various stages of the disease. For instance, if the policyholder is diagnosed with cancer at the early stage, around 20 to 25 per cent of the sum assured is paid out depending on the insurer. However, if the disease reaches its critical stage, the balance amount is paid. If the insured is diagnosed with the disease, some insurers also waive future premium payments of these policies.

The income benefit option under these plans is one of the major benefits. Under this option, on the diagnosis of a major stage of cancer, the policy pays a monthly income to the policyholder equivalent to 1 per cent of the chosen sum assured for a period of 3-5 years. Some insurance policy also pays for this benefit over and above the chosen sum assured.

Alternative to Standalone Cancer care plans
Critical-illness policies can be opted for as an alternative to cancer covers. These policies provide coverage for around 10-35 major ailments. The illnesses covered under this policy vary from insurer to insurer. On diagnosis of any of the diseases on the list, the insurer pays the policyholder the amount for which they are insured.

With critical illness plans, the insurer does not make stage-based payouts, unlike cancer policies. With the lumpsum payout, the patient can utilize the money for loss of income and expensive medicines, expenses of hospitalization, supplemental care or nursing, which start from day one.

Premiums
Even with a higher sum assured, the premiums of disease-specific policies are lower as compared to critical-illness covers. This is because a disease-specific policy only provides cover for a single disease. However, a critical illness plan provides cover for up to 37-40 illnesses. For instance, the premium for a critical illness policy covering 37 diseases can cost up to Rs 4,500, for a 35-year-old, whereas the standalone Cancer Plan will cost as low as is Rs 1,500.

Most people depend on their employer's group health policy. These policies come with a lot of limitations and tend to have a low sum insured as they are planned for a large group of policyholders. If you are one of them, you can supplement your employer's cover with a disease-specific policy, or a personal health cover along with a critical illness policy.

(The writer is Priyadarshini Maji.)

Source

TOP

A-rated health plans for you – Mint – 4th February 2020

How do you buy a health insurance plan? If you settle for a plan your agent sells or are happy knowing that you have bought the cheapest one, there is a bit of unlearning and a lot of learning in store for you. To give you a comparison we designed Mint Secure Now Mediclaim ratings (MSMR).

Here, only the A-rated plans have been shown. For the policies that scored B and C, see the link mentioned.

For Individual plans, the sums insured are (₹5 lakh, ₹10 lakh, ₹20 lakh and ₹50 lakh). In each of these, the ages are 30, 45, 60 and 75 years. For family floater plans, there are four sum insured (₹5 lakh, ₹10 lakh, ₹20 lakh and ₹50 lakh) and two age categories—eldest insured is 30 years old or 45 years old. For the first category of eldest person being 30, the cover is for three people, two adults and one child. For the 45-years category, the cover is for two adults and two children.

This time, we take a look at the premiums and ratings of individual policies of ₹10 lakh sum insured for two age categories, 30 years and 45 years.

TOP

Source

Don't just bank on group health covers – Mint – 3rd February 2020

It's always better to have an individual health insurance plan even if you are covered under group insurance. This is because retail health is renewable for life; even if the insurer decides to discontinue the policy it has to mandatorily port you to another. On the other hand, in group health insurance, once the relationship with the group ends—like when you quit your job—so does your health insurance cover.

While you can try to port your group policy to individual, there are no guarantees. "Policyholders normally can't port from one group policy to another but can port from group to individual. But insurers have significant discretion to design the construct and underwriting of a group policy." said Abhishek Bondia, principal officer and managing director, SecureNow.in. This hits senior citizens and those with pre-existing ailments the most.

The Insurance Regulatory and Development Authority of India (Irdai) seems to be aware of this. Last week, it issued a circular to all general and health insurers in the interest of group insurance policyholders of the 10 public sector banks that are being merged. In August last year, the government decided to merge Oriental Bank of Commerce and United Bank with Punjab National Bank; Syndicate Bank with Canara Bank; Andhra Bank and Corporation Bank with Union Bank of India; and Allahabad Bank with Indian Bank.

The announcement led to confusion among customers of the merging banks who have group health policies. Irdai has tried to clear the air by saying that the underlying group health policies of the customers of the merged banks shall continue to be serviced by the respective insurers till the end of the policy period. The regulator also said that banks as a group organizer can have group insurance arrangements with any number of insurers for the needs of the consumers.

However, experts said banks usually push for insurers that have a bancassurance arrangement with them. "Currently there are no restrictions on how many insurers a bank can tie up with for offering group policies but, typically, banks offer policies from companies for whom they operate as a corporate agency," said Mahavir Chopra, director of health, life and travel insurance, Coverfox.com, an online insurance marketplace.

WHAT HAPPENS

The Irdai circular doesn't help solve the long-term problems associated with group policies. Know that there's no guarantee that the acquiring bank would want to tie up with the insurer you have a group policy from. If that happens, you will have to port to an individual policy which could result in a spike in premiums.

In situations when a bank changes its group policy tie-up from one insurer to another, the policies are not considered to be ported. Even if you wish to port your group policy to an individual one, there's no regulation which guarantees the portability. "There is no mention about group relationship in the portability guidelines. The insurer is mandated to port the policy only when the application is received 45 days before the expiry of the plan. The proposal will go through routine underwriting before it gets approved," said Chopra.

The problem

Cases like the ongoing bank mergers throw light on why buying a group policy is not a great idea. Experts said group plans don't offer the same benefits they did earlier. Conditions such as the waiting period are similar to those in a retail policy. "The only difference is the waiting period could be three years instead of four," said Chopra.

He said there's also no control on premium rates in a group policy with one-year tenure. Depending on the loss ratio, the insurer can choose to hike the premiums at its own discretion. "Even if there's no change in the insurer for a group policy, the same insurer, by looking at the loss in the portfolio, can decide to hike premiums every year," Chopra added.

In case of senior citizens, the issue can be more worrisome because if they don't get the option to renew their group policy, they may be at the risk of not being sold an individual policy either. In case they do get a plan, the premiums could be high. "There is no regulation which says banks must continue with the group policies but my sense is, they might try and work on some transition planning," said Chopra.

Also, insurers have the right to cancel a group policy midway. "It's a negotiation that happens between a bank and an insurer and if the insurer feels like its portfolio is loss making, it might decide to end the relationship. Also, if the losses are very high, no new insurer might want to take it on," he added.

MINT TAKE

An official from Irdai told *Mint*, on the condition of anonymity , that the regulator is looking at the matter closely. But in the meantime, you shouldn't just bank on group plans. "The regulator has kept customers' interest in mind without letting it affect their ongoing policy. However, we advise customers to buy individual retail products as that isolates them from any corporate activities like bank mergers," said Amit Chhabra, head, health insurance, Policybazaar.com, an online insurance marketplace.

Always prioritize buying an individual health policy with an adequate cover and if you do feel the need to supplement it, go for add-ons instead of banking on a group insurance policy.

(The writer is Disah Sanghvi.)

TOP

Source

How obesity affects the health insurance premium – Outlook – 3rd February 2020

Not all health insurance policies charge the same premium. If you are looking for health insurance, make sure to do your required research and then choose a suitable plan with more features. Health insurance providers cannot deny offering a health insurance plan to overweight customers.

However, insurers determine the right amount of premium to cover the risk at the time of underwriting. There are many factors to be considered before accepting the proposal. Based on the personal information provided by the customers, insurers charge their premiums. Obese people are likely to pay a higher premium than normal healthy customers as many diseases are linked to obesity. Obese policyholders are prone to illness, likely to make more claims than normal policyholders.

It is important to disclose all the personal information at the time of buying health insurance. Based on the risks, insurers may charge a higher premium. However, at the time of claim, the chances of the rejection of your claim are less. The policyholder's failure to disclose any personal information or health details at the time of buying might lead to a cancellation of the policy.

In India, more than 135 million individuals were affected by obesity. The prevalence of obesity in India varies due to age, gender, geographical environment and socio-economic status. According to the ICMR-INDIAB study 2015, the prevalence rate of obesity and central obesity varies from 11.8 per cent to 31.3 per cent and 16.9 per cent to 36.3 per cent respectively. In India, abdominal obesity is one of the major risk factors for cardiovascular disease. Some of the diseases linked to obesity include heart disease and stroke, high blood pressure, diabetes, gout, cancer, gallbladder disease and gallstones, osteoarthritis, breathing problems and asthma.

Overweight people are more likely to have high blood pressure. A major risk factor for heart disease and stroke, high blood levels of cholesterol can also lead to sudden death without any signs or symptoms. They are twice as likely to develop type two diabetes compared to normal-weight people. Type two diabetes reduces your body's ability to control blood sugar. It is a major cause of early death, heart disease, stroke, and blindness.

Not only the above-stated types of cancers are associated with being overweight. Among the women, these include cancer of the uterus, gallbladder, cervix, ovary, breast, and colon. Overweight men are at higher risk of developing colorectal cancer and prostate cancer. Gout is more common in overweight people and the risk of developing the disorder increases with higher body weights. The best way to get health insurance coverage without having to pay a higher premium for obesity is to decrease body weight and stay healthy. Always keep track of what you eat and how you exercise to stay fit. This will help to buy health insurance with an affordable premium.

(The writer is Nirmala Konjengbam.)

Source

TOP

Insurers cannot discontinue a policy and force customers to take a new cover – Moneycontrol – 1st February 2020

Consumers who have had continuous coverage under a mediclaim policy are suddenly given a rude shock by insurers that their old policy is being discontinued, and they could opt for the new one that is being introduced. The insurance regulator, IRDAI (Insurance Regulatory and Development Authority of India), had issued guidelines on the migration and portability of health insurance policies on January 1, 2020.

These are subject to the regulations of 2016. Even these guidelines do not allow the insurer to discontinue a regular product and compel the insured to migrate to another policy. The regulations and the circular permit portability and migration to a different company or to a different product, but the decision to do so vests with the consumer and not with the insurer. So, insurance companies cannot compel the insured to migrate and opt for a different policy. The writer is a consumer activist and has won the Govt. of India's National Youth Award for Consumer Protection.

(The writer is Jehangir B. Gai.)

TOP

Source

Budget 2020: Ayushman Bharat-PMJAY should use AI and ML – The Economic Times – 1st February 2020

Informing that the government is ready to open up vistas for a vibrant and dynamic economy with a gentle breeze of new technology, Finance Minister, Nirmala Sitharaman said that vibrant India shall be a caring society which shall attend to its weak, the old and the vulnerable, among its citizens.

Allocating Rs 69,000 crore to the healthcare sector, out of which Rs 6,400 crore was given to Ayushman Bharat- Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), Sitharaman also said, "Using machine learning and AI in the Ayushman Bharat scheme, health authorities and the medical fraternity can target disease with an appropriately designed preventive regime."

She further said, "Presently, under AB-PMJAY, there are more than 20,000 empanelled hospitals. We need more such hospitals empanelled in tier II and III cities for poor people to benefit from them.

It is proposed to set up a viability gap funding window for setting up hospitals in PPP modes in the first phase. Out of 112 aspirational districts, those who are not empanelled under Ayushman empanelled hospitals, will be covered and given priority, so that in tier II and tier III cities, we have more such hospitals. This would also provide large-scale opportunities to youth."

She also mentioned that 'Fit India Movement' is a vital part of fight against non-communicable diseases coming out of lifestyle issues. While mentioning that total allocation for Swachch Bharat Mission is around 12,300 crore rupees for this year and 3.6 lakh crore rupees has been approved for Jal Jeevan Mission, she said, "A very focused save water 'Jal Jeevan Mission' and comprehensive sanitation programme Swachh Bharat Mission have been launched to support the health wishes that reduce the disease burden on the poor."

TOP

Source

Coronavirus — your health insurance will cover this too – The Hindu Business Line – 1st February 2020

In the last five years alone, the world has faced outbreaks of dreaded viruses such as Ebola, Zika, Mers (Middle East Respiratory Syndrome), more recently Nipah, and now Corona. The Corona virus has already infected over 8,000 people globally, mostly in China. In India too, a person was diagnosed with Corona on Thursday.

Though it is an isolated incident until now, it is important to understand if your health insurance policy provides cover to treat this infection. If your health policy is not disease-specific, it can provide cover for hospitalisation and out-patient department (OPD) expenses, irrespective of the disease you are diagnosed for.

Bhaskar Nerurkar, Head of Claims, Bajaj Allianz General Insurance, says, “A health policy covers for all infections and Corona is one such infection. Coverage will be available from day one of infection in all health insurance policies including ours.” Besides, since new diseases such as Corona do not fall in the category of pre-existing illnesses, these will be covered by your health policy. Thus, all covers such as in-patient treatment, pre-hospitalisation, post-hospitalisation, OPD and ambulance cover that your health policy provides will be available to you, if you happen to seek treatment for Corona.

(The writer is Bavadharini K. S.)

Source

TOP

Budget proposes viability gap funding of hospitals under Ayushman Bharat via PPP – Mint – 1st February 2020

To widen scope of the government's flagship scheme, Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), the Union Budget on Saturday proposed to set up a viability gap funding to allow empanelment of hospitals through a public-private-partnership (PPP) model.

Presenting the Union Budget for 2020-21 in the Lok Sabha, Finance Minister Nirmala Sitharaman announced an allocation of ₹69,000 crore for the health sector, which includes ₹6,400 Crore for Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY).

"Presently, under AB-PMJAY, there are more than 20,000 empanelled hospitals. We need more in Tier-2 and Tier-3 cities for poorer people under this scheme. It is proposed to set up Viability Gap funding window for setting up hospitals in the PPP mode. In the first phase, those Aspirational Districts will be covered, where presently there are no Ayushman empanelled hospitals," the finance minister said.

Aspirational districts are those which are affected by poor socio-economic indicators and require overall improvement in human development. In order to achieve twin objectives of giving impetus to the domestic industry and also to generate resources for health services, the union budget has proposed to impose a nominal health cess, by way of a customs duty, on the imports of medical equipment keeping in view that these goods are now being made significantly in India. Proceeds from this cess shall be used for creating infrastructure for health services in the aspirational districts.

Further, a health cess at the rate of 5% has been proposed to be imposed on the import of medical devices. This cess shall be a duty of Customs. The proceeds of health cess shall also be used for financing the health infrastructure and services.

"This would also provide large scale employment opportunities to youth. Proceeds from taxes on medical devices would be used to support this vital health infrastructure. Using machine learning and AI, in the Ayushman Bharat scheme, health authorities and the medical fraternity can target disease with an appropriately designed Preventive regime," Sitharaman said.

Billed as the world's largest health assurance scheme, AB-PMJAY, dubbed Modicare, aims to provide free health insurance of ₹5 lakh per family to nearly 40% of the country's population — more than 100 million poor and vulnerable families.

The government also proposed to expand Jan Aushadhi Kendra Scheme to all districts offering 2,000 medicines and 300 surgical items by 2024. In a bid to address the shortage of qualified medical doctors, both general practitioners and specialists, the government also proposed to attach a medical college to an existing district hospital under PPP mode. "Those states that fully allow the facilities of the hospital to the medical college and wish to provide land at a concession would be able to receive Viability Gap Funding. Details of the scheme would be worked out," the finance minister said.

Stating that the government has a holistic vision of healthcare, Sitharaman maintained more needs to be done towards liquid and grey water management after achieving Open Defecation Free India. "Focus would also be on Solid waste collection, source segregation and processing. Total allocation for Swachh Bharat Mission is about ₹12,300 crore in 2020-21," she said.

Reacting to the health budget allocations, Harsh Vardhan, union minister of health and family welfare said, "The budget estimates for the Department for Health and Family Welfare show an appreciable increase of 3.75%, while there has been a 10% hike in the allocation for the Department for Health

Research. The focus in Budget 2020 is on medical infrastructure, human resources in the health sector, and holistic health and wellness. In addition, 6,500 projects under National Infrastructure Pipeline (NIP) include projects of healthcare for all. Also, "TB Harega DeshJeetega" campaign has received a boost in the Budget. This shall strengthen our resolve and commitment to end tuberculosis by 2025," he said.

Current health infrastructure in India paints a dismal picture of healthcare delivery system in the country. Health Infrastructure has been described as the basic support for the delivery of public health activities. According to the National Health Profile 2018, there are 23,582 government hospitals having 710,761 beds in the country. 19,810 hospitals are in rural area with 279,588 beds and 3,772 hospitals are in urban area with 431,173 beds.

Over 70% of population of India lives in rural areas and to cater their need there are 156,231 Sub Centres, 25,650 Primary Health Centres and 5,624 Community Health Centres in India as on 31st March 2017. According to the latest government data, as on March 2018, the country has total of 2903 blood banks which means less than 3 blood banks for every 10 lakh population.

Public health experts have said that the health budget of India continues to be low to achieve the universal health coverage. "The budget promotes health at the population level through allocations to sanitation, clean water, nutrition and air pollution control programmes. The overall annual increase in health budget by 10% compared to last year is low when adjusted for inflation. This will not create the momentum needed for a public financing goal of 2.5% of GDP by 2025, which requires a near doubling by then," Professor K. Srinath Reddy, President, Public Health Foundation of India, said.

Sharing the same sentiments, Poonam Muttreja, Executive Director, Population Foundation of India said that the Union budget 2020-21 is way below expectations, especially when there is a huge unmet need for health care services in the country.

"The budgets allocated for health and family welfare, Rs. 65,012 crores this year, is a mere 3.8% increase over the previous budget. This is insufficient considering the current rate of inflation (7.3% as per the Economic Survey 2019-20)," said Muttreja.

(The writer is Neetu Chandra Sharma.)

Source

TOP

How to improve crop insurance coverage – The Hindu Business Line – 1st February 2020

The government has recently set up a Group of Ministers to review the 2016 Pradhan Mantri Fasal Bima Yojana (PMFBY) Scheme, as neither the farmers, the State/Central government nor the insurers seem to be happy with the outcomes achieved over the three-year period.

As it is back to square one as far as crop insurance is considered, it would be useful to review the principles behind one of the earliest approaches to a scheme of agricultural insurance in India, which was proposed by JS Chakravarti 100 years ago in 1920 for the Mysore State, covering insurance of granaries, implements, cattle and crop insurance.

It is pertinent to note that the crop insurance component was proposed as a scheme for stabilising the net farm income, and was based on the value of the crop rather than its quantity. The indemnity was equivalent to two-thirds of the farmer's average income, if the total rainfall during a season was less than a specified percentage. The area units were to be small and compact, over which the average annual amount of rainfall and its distribution were fairly uniform. The premium was to be equivalent to the land tax, and long-term contracts of five or ten years were preferred.

The scheme was designed so as to bring a farmer's net receipts to the level of his net income in ordinary years. The key principles of this scheme were the easy-to-understand triggers and a focus on income protection.

Currently, crop insurance is the third-largest portfolio in the non-life insurance industry. The premium outgo at a gross level for 2016-17, 2017-18 and 2018-19, respectively, was approximately ₹22,015 crore, ₹26,065 crore and ₹29,065 crore. Gross loss ratios were at 78 per cent, 89 per cent and 100 per cent respectively. In 2018-19, the total number of farmers covered was 56.4 million, with a gross cropped area coverage of about 30 per cent. Further, the premium for 2019-20 is estimated at ₹31,500 crore, with the gross claims ratio being over 100 per cent for kharif crop.

From 1985 to 2016, several schemes such as the Comprehensive Crop Insurance Scheme (1985), the National Agricultural Insurance Scheme-Rabi (1999) and the Modified National Agriculture Insurance Scheme-Rabi (2010-11), and the Weather Based Crop Insurance (WBCIS -since 2007) were operationalized with a limited degree of success.

Scheme specifics

Based on the learnings from the earlier schemes and the recommendations of a review committee (May 2014) led by PK Mishra, a revamped version of the crop insurance scheme was launched as the PMFBY, effective from the 2016 kharif season. The coverage includes losses on account of prevented sowing due to deficit rainfall or adverse weather conditions, yield losses due to non preventable risks, post-harvest losses, localised calamities and specified add-on covers.

The sum insured was based on the scale of finance, with the subsidized premium rate payable by farmers for food crops and oil seeds at 2 per cent of the sum insured for kharif, 1.5 per cent for rabi and 5 per cent for horticulture. The difference between this rate and the actuarial premium rate is shared equally between the Centre and the States.

The scheme includes a web portal that integrates technology in the implementation of the programme, the use of GPRS-enabled mobile phones for conducting crop cutting experiments, and *inter alia,* a programme for capacity-building and creating awareness.

The current guidelines provide for cut-off dates based on the crop calendar for activities and state interest payments for delay in the payment of premium and claims. Integration of the IT platform is provided to enable faster transmission of data, automated claim calculation and remittance to beneficiaries. Provision of 25 per cent on account payment for mid-season adversity and prevented/failed sowing are provided along with post-harvest losses occurring within a maximum period of 14 days from harvesting.

Implementation gaps

Despite large payouts, there is a negative perception regarding crop insurance schemes, primarily because there have been issues regarding claims assessment, settlement and quantum. Further, three States and four private insurers have decided to move out from the purview of the scheme.

While reviewing the PMFBY, the Group of Ministers should inter alia address the implementation gaps and then do a cost-benefit analysis.

Quicker claims settlement: There is a need to focus further on using technology to the desired extent through GPRS-enabled phones for conducting and managing large number of crop cutting experiments (CCEs) in a limited time period. Satellite imagery used systematically as in a pilot scheme can enable a reduction in the number of CCEs required. Improved implementation will also expedite claim settlements.

Distribution and intermediation: In the current top-down approach, the engagement of the farmers is limited while obtaining the coverage. By utilizing a distribution network of the insurers and intermediaries, a better understanding can be developed and expectations rationalized.

Process improvements: Mobile money and all payments systems should be integrated with the crop insurance coverage to enhance the ability of a farmer to take a crop insurance cover directly with some measure of flexibility.

Coverage rationalization: Add-on covers like damage to crops by wild animals need to be reviewed. Yield and weather data being a public good need to be made available at a more granular level and developed as a historical time series for pricing.

Price risk: Development of warehousing and cold chains and providing insurance coverage for the storage and deterioration of stocks can also contribute effectively to the reduction of price risk for farmers.

Utility for farmers: The ₹6000-payment under the PM-Kisan can additionally reimburse the insurance premium payment as an add-on, so that the farmer takes direct responsibility for obtaining the insurance coverage and protecting his income.

A critical measure of success will be the extent to which crop insurance leads to income stabilization for the farmers in a manner similar to that envisaged in the 1920 scheme.

(The writer is M. S. Pillai.)

Source

TOP

CROP INSURANCE

Few states debar 4 insurance firms from PMFBY due to complaints: Government – The Economic Times – 4th February 2020

The Centre on Tuesday told Parliament that some state governments like Rajasthan, Karnataka and Gujarat have debarred four insurance firms -- SBI General Insurance, Tata AIG, Shriram General Insurance and UIIC -- from participating in tender of the Pradhan Mantri Fasal Bima Yojana (PMFBY) for one or more seasons.

Some state governments have also slapped interest penalty on the Agriculture Insurance Company of India (AIC Ltd), Cholamandalam-MS General Insurance Company, ICICI-Lombard General Insurance Company, New India Assurance Company and SBI General Insurance Company, it said in the Lok Sabha.

The PMFBY was launched in January 2016 replacing the older schemes to ensure that farmers pay less premium and get full and early settlement of the claims. In a written statement, Agriculture Minister Narendra Singh Tomar said the government had received some complaints against insurance firms about non-payment and delayed payment of claims during the implementation stage of the scheme.

"Most of the complaints were suitably addressed by the concerned state government, insurer and the ministry. Yield data disputes between states and insurance companies are settled by referring the matter to the Technical Advisory Committee (TAC) by the state or insurance companies," he said.

Further, some states have not only debarred some insurance companies from participating in the tender of PMFBY but also slapped interest penalty for delayed payment of claims to farmers, he added. According to the revised guidelines of PMFBY, insurance companies have to pay penal interest at 12 per cent per annum to farmers for late settlement of claims subject to certain conditions.

Tomar said the government has imposed an interest penalty of Rs 3.30 crore on Agriculture Insurance Company of India, Rs 0.09 crore Cholamandalam-MS General Insurance Company, Rs 0.51 crore ICICI-Lombard General Insurance, Rs 0.15 crore New India Assurance Company and Rs 0.16 crore SBI General Insurance Company Ltd in September 2019.

In reply, these insurance companies have submitted their explanations requesting for review. A meeting has been called to discuss the explanations submitted by the insurance companies, he added. Apart from this, the minister said state governments have been advised to impose penalties on insurance companies themselves.

Accordingly, some state governments like Uttar Pradesh, Gujarat and Haryana have also imposed penalty on insurance companies for non-performance of certain provisions of the scheme and have deducted the penalty from state share of premium subsidy to insurance companies, he added.

Eighteen companies, including five public sector companies, have been empanelled for implementation of the scheme in country by the Union agriculture ministry. But, all the companies are not participating in the bidding process in each state or season.

Responding to another query, the minister said though the coverage during second year of implementation, 2017-18, of PMFBY slightly decreased due to announcement of loan waiver schemes by some state and making Aadhaar compulsory for de-duplication of coverage, but coverage is showing increasing trends due to the improved features of the scheme and efforts made by the government and other stakeholders.

TOP

Source

MOTOR INSURANCE

Insurers loop in technology, police to drive people towards safety - The Hindu Business Line – 5th February 2020

Besides family, if there is somebody who wants you to drive safely, it's your insurer. India's insurance space is buzzing with experiments where insurance firms are using police and technology to nudge their customers towards safe driving behaviour. Bajaj Allianz General Insurance is looking to offer discounts to safe drivers following police verification, Insurance Regulatory Development Authority of India and Delhi Police are looking to implement a project broadly on similar lines.

Logistics service providers who take extra care are engaging with insurers to develop such cheaper policies. Recently, Bajaj Allianz, along with other general insurance companies like Bharti Axa, TATA AIG, Go Digit, ICICI Lombard, Acko and Liberty got a nod from India's insurance regulator (IRDA) to offer pay-as-you-use policies for a few months.

(The writer is Mamuni Das.)

TOP

Source

SURVEY

1.5 lakh Ayushman Bharat Health & Wellness Centres to be set up by 2022: Survey – The Economics Times – 1st February 2020

The Survey was tabled in Parliament on Friday by Finance Minister Nirmala Sitharaman. A total of 28,005 such centres have already been set up as on January 14, 2020, it added.

"Under Mission Indradhanush, 3.39 crore children and 87.18 lakh pregnant women in 680 districts across the country have been vaccinated," the Survey noted. New vaccines such as Measles-Rubella (MR), Pneumococcal Conjugate Vaccine, Rotavirus Vaccine and Inactivated Polio Vaccine have also been introduced, it added.

"As per the latest National Health Accounts (NHA) 2016-17, the out of pocket expenditure as a percentage of total health expenditure has declined from 64.2 per cent in 2013-14 to 58.7 per cent in 2016-17," the Survey said. Primary healthcare accounts for 52.1 per cent of India's current public expenditure on health as per the National Health Estimates, 2016-17. The National Health Policy, 2017 recommended to spend at least two thirds of the government's health expenditure on primary healthcare, it added.

"Ayushman Bharat- Pradhan Mantri Jan Arogya Yojana (PM-JAY), the world's largest health insurance scheme, is a major step towards providing affordable healthcare to the identified poor," the Survey said. The scheme has been rolled out based on the deprivation and occupational criteria of the Socio-Economic Caste Census for rural and urban areas, respectively, it added.

In another step, "Under Free Drugs Service initiative, substantial funds have been given to States for provision of free drugs. All States/UTs have notified policy to provide essential drugs free in health facilities," the Survey said. Free diagnostics service initiative was also launched to address the high out of pocket expenditure (OoPE) on diagnostics and improve quality of healthcare services, it added.

In addition, Pradhan Mantri Bharatiya Jan Aushadi Pariyojana (PMBJP) and Pradhan Mantri National Dialysis Programme (PMNDP) are some of the new initiatives that address the issue of high OoPE on account of drugs and hospital care, the Survey said. According to the Survey, to address the shortage of doctors, the government has embarked on an ambitious programme for upgradation of district hospitals into medical colleges. In last 5 years, the government has sanctioned 141 new medical colleges.

The government has also supported states to add nearly 2.51 lakh additional health human resources, it added. The launch of Ayushman Bharat has marked a paradigm shift in the way healthcare is delivered. Ayushman Bharat targets universal health coverage by focusing on preventive, promotive and palliative care apart from ambulatory care and by providing protection against catastrophic health expenditure for secondary and tertiary hospital care, the Survey said.

"The focus of healthcare is on four important pillars - preventive healthcare, providing affordable healthcare, building medical infrastructure and mission mode interventions for maternal health, child health and to combat communicable and non-communicable diseases...," it added. With the marked increase in burden of non-communicable diseases, the government is focused on addressing this epidemiological transition from communicable diseases to no communicable diseases, the Survey said.

TOP

Source

INSURANCE CASES

Court grants widow insurance relief – The Telegraph – 4th February 2020

The high court on Monday directed a bank to pay Rs 1 lakh to the widow of a customer as accidental death insurance after it had refused to pay up on the ground that the claim had been submitted over 90 days after the death.

The private bank fhad promised a sum of Rs 1 lakh in case of accidental death, at the time of issuing a debit card to Gautam Basu, the husband of the petitioner.

Gautam died in a road accident in May 2017 at age 52. When his widow Banani, 47, submitted the insurance claim, she was allegedly told by the bank that the insurance had lapsed since she had failed to claim the amount within 90 days of her husband's death.

Banani had submitted the claim 99 days after her husband's death, according to the bank. Her lawyer, however, said the claim was submitted 91 days after the death. Banani filed a petition in the high court, saying bank officials had told her that it was mandatory for customers to claim the insurance amount for accidental death within 90 days and that she was nine days late.

Justice Sabyasachi Bhattacharya, in his order, said the bank's argument for declining to pay the amount was "bad" in law.

"If 90 days is the compulsory time limit for a party to claim the insurance, the bank should mention this in the agreement. But in case of the accused private bank, it is not mentioned that it is mandatory to submit the application for the claim within 90 days of the death of the customer," the judge stated in his order.

Moving the petition on behalf of Banani, advocate Smarajit Roy Chowdhury submitted that her husband was an employee of an oil company at Mourigram in Howrah. The bank had offered him a priority debit card and an insurance amount of Rs 1 lakh to his kin for accidental death. When Banani first contacted the bank for disbursement of the insured amount, she was refused.

"My client reported the matter to the Reserve Bank of India after the bank told her the covered amount would not be released as she had failed to claim it within 90 days of her husband's death," the lawyer told the court.

The lawyer also alleged that it had become the practice of many private banks to lure customers with insurance offers to sell debit and credit cards. But the promises were often not kept on flimsy grounds, he said.

Opposing the prayer, Sayani Roy Chowdhury, counsel appearing for the accused private bank, said: "It is necessary for the parties to make the claims within 90 days of death of the policy-holders. In the present case, the widow of the customer had applied for the amount 99 days after her husband's death."

But Banani's lawyer showed the court that his client had applied for the insured amount 91 days after her husband's death. "The bank should have considered a day's delay of a widow, who with her two minor children had been passing through a tough time after the sudden death of her husband."

TOP

Source

Chandigarh police bust insurance racket, 6 held – Hindustan Times – 1st February 2020

UT Police's cyber crime cell busted a fake call centre operating out of Ghaziabad in Uttar Pradesh, from where over 100 people, including three from Chandigarh, were duped on the pretext of reviving their expired insurance policies. While six persons accused of committing the fraud have been arrested, one of the accused is on the run.

As per the police, they had received a complaint from Chander Mohan Munjal, an advocate and a resident of Sector 21, Chandigarh, that he had received a phone call from a person claiming to be an employee of HDFC Bank. Munjal stated that the caller told him that his life insurance policy had lapsed and he had to renew it. He believed the caller as his policy had indeed lapsed and he deposited ₹3, 58,000 in three different accounts of three different banks.

Later, he got an email from the zonal manager of HDFC Life Insurance Company Ltd and Madhuri Kashyap, a woman who had earlier spoken to the complainant over the phone, posing as an HDFC official. The complainant then received phone calls from several different mobile numbers after which he realised, he had been duped.

TOP

Source

PENSION

EPS Pensioner Alert! Now get PPO No using your bank account number – Financial Express – 3rd February 2020

The pensioners of employees' pension scheme (EPS) are provided with a unique number or a code that helps them to get a pension after retirement. Such a number is called Pension Payment Order (PPO) and is allotted by the EPFO to every employee who retires from any organisation. After retirement, The Employees' Provident Fund Organisation (EPFO) sends a letter to every retiring employee carrying details of PPO, provident fund and disbursement of pension. At any point in time, if you have forgotten PPO number or want to find PPO, you can get it easily from your bank account number or using your Member ID.

In case if you have forgotten your PPO No, you can make use of the below steps to get the PPO no
1. Visit EPFO Website – www.epfindia.gov.in
2. Click on 'Pensioners Portal' (left side of page under Online Services)
3. On the next page – Welcome to Pensioners' Portal – click on 'Know your PPO No.'
4. Here, you can enter your bank account number which is linked to pension
On submitting, you will get to know the PPO No, Member Id and the type of Pension.

Alternatively, you may access this link directly – (https://mis.epfindia.gov.in/PensionPaymentEnquiry/)

It is a separate portal for Pension by which you can get to know about the PPO Detail. Here, you can use four different services such as –

- Jeevan Pramaan Enquiry,
- Know your PPO No.,
- PPO Enquiry/ Payment Enquiry,
- Know Your Pension Status

As a pensioner, one also should make sure that the bank has recorded the Pension Payment Order (PPO) number in the passbook. At times, banks do not update the PPO in the passbook of the pensioner or the family pensioner which may lead to unnecessary delays.

During the transfer of pension account from one bank or branch to another bank or the branch, not having the PPO number updated in the passbook may also lead to delays. A delay in receiving pension could also be there at the time when one has to apply for a duplicate Pension Payment Order (PPO) in case of missing of original PPO. In the absence of ready availability of PPO number, there could be a delay in case of family pension as well.

Knowing the PPO number helps at the time of raising any grievance with EPFO. For Speedy redress of one's grievance, one needs to use the UAN or PPO Number or the Establishment Number. PPO number is also needed for knowing the pension status online. Now, to get a PPO number using bank account makes it easier and simpler for pensioners to avoid delay in receiving pension.

(The writer is Sunil Dhawan.)

TOP

Source

Pension scheme may see mandatory enrolments – The Times if India – 3rd February 2020

The government is looking at mandatory enrolment of workers in the pension scheme when they join the organised sector workforce, while giving them the flexibility to decide their contribution, as part of fresh efforts to provide a robust social security net for millions of workers, a top government official said.

"There will be a system of auto enrolment and an employee can contribute Rs 100 while the employer can also contribute. People who are young today need to save for tomorrow," finance secretary Rajeev Kumar said. In the Union Budget, the government has announced the plan, which will provide for inter-operability of schemes and provide safeguards for the accumulated corpus.

Currently, pension plans are sold by insurance companies, mutual funds as well as companies that operate under the National Pension System regulated by the Pension Fund Regulatory and Development Authority of India. In addition, the Employees Provident Fund Organisation provides Employees Pension Scheme by transferring a part of the employee's and employer's contribution in addition to the Employees State Insurance Corporation.

The finance secretary said that the idea was to bring them all under one umbrella so that subscribers did not lose their money in case they switched jobs. Besides, the governments views pension sector as a potential source of large fund flow that will also encourage long-term investors to pump money into infrastructure and other sectors.

The pension regulatory agency was set up over a decade ago to implement the NPS and provide low cost solutions for retirement savings. But despite tax benefits, the scheme has not taken off although the kitty has expanded to around Rs 4.2 lakh crore.

Kumar said the government has taken a series of steps in the Budget to ensure that the cost of financial intermediation comes down through measures such as the proposed bill for netting of financial transactions. There are several steps to enhance liquidity in the system by introducing new tools and strengthening the existing ones.

TOP

Source

Employer's contribution to PF over Rs. 7.5 lakh set to be taxed - The Economic Times – 3rd February 2020

In a move that will make saving in pension funds less lucrative for high-salaried individuals, the government has proposed a cap of Rs. 7.5 lakh for the annual tax-free contribution an employer can make on behalf of an employee in all such instruments combined.

Under the existing provision, employer contribution exceeding Rs. 1.5 lakh in a year under recognised provident funds like EPF or funds of exempted establishments is taxable. However, there is no such ceiling on employers' contribution to the National Pension Scheme or other superannuation funds. Investment in pension funds is exempted from tax at all levels and is considered a safer option, making it attractive even though it fetches lower returns.

The proposed rule will cover the National Pension Scheme and other superannuation funds as well.

The provision will lead to higher tax liability on both the employee and the employer, a senior government official told ET. "The employer shall not be able to deduct the contribution made above the ceiling from his net income, thus increasing employers' wage liability; while the employee will find this added to his taxable income, thus enhancing his tax liability as well," the official said.

Another official ET spoke to said it was indeed a revenue mobilisation measure, though the proceeds would be small. "To prevent company's expenditure, employers' often park money in such pension funds to evade taxes as it is beneficial to employees as well. Hence, the proposal to put an upper limit on investing in such funds," the second official said.

"The idea is to encourage high-income salaried individuals to pay taxes rather than saving through tax planning by contributing higher amount to these retrial schemes and also earning tax free," PwC India partner and leader (personal tax) Kuldeep Kumar said."However, the implementation of this provisions and computation of taxes is going to be a challenge for the companies," he added.

(The writer is Yogima Seth Sharma.)

Source

TOP

Employees provident fund (EPF) will soon be taxable for those with high salaries – Mint – 1st February 2020

Those with high salaries might soon have to shell out income tax on employers contribution under employees' provident fund (EPF), National Pension System (NPS) and superannuation fund. In the Union Budget 2020, finance minister Nirmala Sitharaman has introduced a cumulative upper ceiling of ₹7.5 lakh for the three investments which give tax benefits.

With effect from 1 April, 2021, the combined upper limit of ₹7.5 lakh in respect of employer's contribution in a year to NPS, superannuation fund and recognised provident fund and any excess contribution will be taxable. The Budget has also proposed that even interest and dividend earned during the previous year would also be taxable. Interest is treated as perquisite to the extent it relates to the employer's contribution which is included in total income.

The new amendment will take effect from 1st April, 2021 and will apply from assessment year 2021-22.

For example, if an individual's basic salary is ₹30 lakh, aggregate amount of employer contribution could be:

PF employers contribution: 3.60 lakh
NPS: ₹3 lakh
Superannuation Fund: ₹1.50 lakh
Total investment: ₹8.10 lakh
The taxable amount could be ₹60,000.

Employer's contributions to PF and NPS were tax exempt so far without an amount specific ceiling. This meant that individuals with high amounts of basic salary could contribute 12% And 10% of basic salary without limit and avail tax exemption, Saraswathy Kasturirangan, Partner, Deloitte India, said. "There is no combined upper limit for the purpose of deduction on the amount of contribution made by the employer. This is giving undue benefit to employees earning high salary income," Budget documents say.

While an employee with low salary income is not able to let employer contribute a large part of his salary to all these three funds, employees with high salary income are able to design their salary package in a manner where a large part of their salary is paid by the employer in these three funds. "Thus, this portion of salary does not suffer taxation at any point of time, since Exempt-Exempt-Exempt (EEE) regime is followed for these three funds. Thus, not having a combined upper cap is iniquitous and hence, not desirable," it says.

(The writer is Nikhil Agarwal.)

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Budget 2020: Government mulls changes in PFRDA Act – The Hindu Business Line – 1st February 2020

Finance Minister Nirmala Sitharaman has proposed to make amendments for separation of government pension trust from the PFRDA to strengthen the pension fund regulatory body. "Necessary amendments would be carried out in the Pension Fund Regulatory and Development Authority Act.

It will also facilitate separation of NPS Trust for government employees from PFRDA," Sitharaman said while presenting the Union Budget 2020-21 in Parliament on Saturday. She also said that the government will help ease in mobility while in jobs. "We wish to infuse into the universal pension coverage with auto enrolment facility. Also, we wish to place such mechanism which will enable inter-operability and provide safeguards to the accumulated (pension) deposits," she said.

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No big announcements on pension schemes – The Hindu Business Line – 1st February 2020

Through the digital revolution, "we shall aim for social security through pension and insurance penetration", said the FM.

But the Budget did not see any concrete announcements on this front. Universal pension coverage with auto enrolment to help easy mobility while in jobs, a wish to put in place mechanisms to enable inter-operability and safeguard for the accumulated corpus and certain changes to PFRDA regulations were the only mentions.

Allocations to the National Social Assistance Program remains at about the same level of last year 's revised estimates at ₹9,200 crore, while allocations to the Employee Pension Scheme has increased by about 23 per cent from the revised estimates of the previous year to ₹7,457 crore.

The background
While the National Social Assistance Programme covers old age pension, disability pension, widow pension, and family benefits to certain select segments of the population, the Modi government in the last few years has selectively introduced pension coverage to various segments of the society.

The Atal Pension Yojana, which aims at providing a pension of ₹1,000 to ₹5,000 through contribution by both the citizen and the government, is one such. As of December 31, 2019, the scheme has 1.96 crore subscribers and assets under management of ₹9,788.46 crore.

The PM Shram Yogi Maan-dhan introduced in the interim budget last year has already seen an enrolment of 40.6 lakh subscribers. It intends to provide an assured monthly pension of ₹3,000 a month to workers in the unorganized sector who earn up to ₹15,000 per month.

Another pension scheme for traders and self-employed persons whose annual turnover is below ₹1.5 crore was also announced last year. This scheme also assures a pension of ₹3,000 per month. This scheme has about 30,295 enrolments now. Like Atal Pension, both these require contribution by both the individual as well as the government.

The Code on Social Security introduced in the Lok Sabha in December 2019, called for a pension scheme for gig workers. This was not announced in the Budget.

The Economic Survey of 2016-17 mooted Universal Basic Income (UBI) in place of targeted schemes that usually lead to inclusions and exclusions. Though direct benefit transfers have been introduced in various schemes now, the idea of a universal basic income continues to remain only on paper.

The verdict
The wait for a wider social security net continues.

(The writer is Parvatha Vardhini C.)

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IRDAI CIRCULARS

List of Valid Insurance Brokers as on 31st January, 2020 is available on IRDAI website.

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IRDAI issued circular regarding revised guidelines on stewardship code for insurers in India.

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New Business Statement of Life Insurers for the Period ended ended 31st January, 2020 (Premium & Sum Assured in Rs.Crore) is available on IRDAI website.

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IRDAI issued draft circular on disclosure of Hospital Quality Indicators.

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IRDAI issued order regarding Committee on designing of Combi Products for Micro-Insurance segment.

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List of health products for 2019-20 is available on IRDAI website.

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IRDAI issued circular regarding Committee on development of a concept paper on standalone Micro-Insurance Company.

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GLOBAL NEWS

Singapore: Life market sees marginal growth amidst slow economic growth – Asia Insurance Review

Singapore's life insurance industry recorded a total of S$4.3bn in weighted new business premiums for the 2019, a 0.4% increase from 2018, said the Life Insurance Association, Singapore (LIA Singapore) when it unveiled the life sector's performance for the 12 months to December 2019.

The marginal increase was set against the backdrop of the nation's muted economic growth for the year which at 0.7% was the slowest in a decade.

Total sum assured for new business continued to increase, recording a 7% growth year-on-year, amounting to S$149.5bn.

LIA Singapore said that the life sector continued to make headway in narrowing the protection gap in the country with an increase in uptake of annual premium policies which recorded a 7% increase from 2018. This amounted to S$3.0bn in total weighted annual premiums. However, primarily due to global market volatility, there was an overall 12% decline in single premium business with weighted single premiums amounting to S$1.2bn for the year.

Increased uptake of retirement policies

With consumers making more pro-active efforts in planning for retirement, the industry recorded a 34% increase in the uptake of retirement policies in 2019 compared to 2018 based on policy count. A total of 51,040 policies was purchased during 2019, a significant increase of 12,920 compared to 2018. Making up about 11% of total weighted premiums for 2019, retirement policies totalled S$469m in weighted premiums for the year.

Workforce

Employment in the life industry rose by 6% as a result of 441 new hires, compared to 2018, to reach a workforce of 8,448 employees, at 31 December 2019. Among the new types of jobs being created in the industry, expertise in digitalisation transformation remains highly sought after.

14,844 representatives held exclusive contracts with companies that operate a tied agency force as at 31 December 2019, a 4% decrease compared to the corresponding period in 2018.

LIA Singapore said that the role of financial advisory representatives in Singapore remains essential in providing personalised advisory based on each individual's circumstances as well as protection, investments, and savings needs.

The Association is also exploring ways to support the industry's workforce transformation as expertise in digitalisation remains highly sought after.

Other highlights for 2019

Total new business premiums for individual health insurance for 2019 amounted to S$465.7m. A total of 2.79m lives – approximately 69% of Singapore residents – are protected by private health insurance, which provides coverage on top of the government-run MediShield Life scheme.

Par products accounted for 48% of new sales while non-par products accounted for 35%. Investment-linked products made up the remaining 17%.

The contribution of new business by the different channels in 2019, by weighted premium, was:

- Tied Representatives: 34.0%
- Bank Representatives: 36.0%
- Financial Adviser Representatives: 24.7%
- Online Direct Channel: 0.3%
- Others (products sold without intermediaries): 5%.

Looking ahead

MrKhor Hock Seng, president of LIA Singapore, said, "The life insurance industry will continue to take a long-term view to progress Singapore as a thriving insurance hub in the region. We will focus efforts on enhancing the professionalism, culture and conduct in the way we do business, as well as drive more innovations as we invest in grooming the workforce for the future."

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China: Regulator issues new rules to adjust insurance premiums - Asia Insurance Review

The CBIRC yesterday issued new rules that would lead to cheaper life insurance premiums, as an outbreak of a new coronavirus spreads across the country, reported Reuters.

The CBIRC adjusted actuarial rules for healthcare, accident and life insurance as well annuity insurance, according to a statement published on the CBIRC's website yesterday.

The adjustments will help lower premiums for such classes of insurance by 3- 5%, the regulator said in a separate statement alongside the revised regulations.

The changes take immediate effect.

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China: Direct financial impact from coronavirus outbreak seen as limited - Moody's - Asia Insurance Review

China's insurance sector is seeing limited direct financial impact from the coronavirus outbreak with Hubei - the province at the epicenter of outbreak - accounting for 4% of domestic life and non-life insurance premiums underwritten in 2019.

"The industry's premium mix also remains dominated by savings-type products with health insurance accounting for 22.8% of total life premiums at the end of 2019," said Mr Frank Yuen, a Moody's vice president and senior analyst.

Moody's says that while insurers could face a jump in low-severity medical claims, large claims will likely be limited by coverage from China's public medical insurance funds which the central government has said will cover expenses for infected individuals and suspected cases.

Additionally, some rated insurers have also taken out reinsurance against pandemic risk, that should in most cases cover significant parts of their in-force book.

Disruption risk
"The more immediate and significant impact from the coronavirus outbreak on Chinese insurers will stem from the resultant disruption on their broader business, and from the negative impact on investment portfolios due to lingering concerns over a potential further slowdown in the economy," added Mr Yuen.

Outside mainland China, travel restrictions from the mainland to Hong Kong and other countries could choke off cross-border insurance demand, which has been a major growth driver for several pan-Asian and Hong Kong-based insurers.

While these business flows were already affected by the fall in mainland Chinese visitors as a result of the social unrest in Hong Kong, current events threaten to delay any potential recovery.

In the longer term, said Mr Yuen, the current outbreak could raise awareness of health insurance and raise insurance demand in China.

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China: Insurers' earnings will erode amid coronavirus outbreak, says S&P - Asia Insurance Review

The outbreak of the novel coronavirus will likely weigh on Chinese insurers' earnings and revenues in 2020, says S&P Global Ratings.

The international credit rating agency expects potential equity market volatility and persistent reinvestment challenges to strain domestic insurers' bottom lines as business activities slow down from reduced face-to-face engagements with customers.

"We anticipate that the capital buffers for our rated insurers, though narrowed, will remain sufficient at existing rating levels," said S&P Global Ratings credit analyst Wen Wen Chen. "Meanwhile, the pressure on capital could be more pronounced on smaller insurers without strong parent group support in China's large insurance market, which is dominated by key domestic insurers."

Life
Life insurers' efforts to focus on enhancing traditional tied agency distribution may come to a standstill given concerns over human-to-human transmission. The reduced propensity to meet agents to discuss financial planning and insurance coverage will hinder the distribution of protection-type policies. Particularly, S&P anticipates that new business activity will contract during the first half of 2020. Hubei, the province most affected by the coronavirus, serves as one of the top 10 markets in China, accounting for approximately 4.3% of the sector's gross premiums written in 2019.

2020 will likely see the repeat of 2018's earnings challenges amid headwinds from the investment market and persistently low interest rates. China's stock market slumped by 7.7% when it reopened after the Chinese New Year holidays.

S&P expects low interest rates to increase reserve provisioning needs for life insurers, narrowing their capital buffers further. Heightening risk appetite among our rated insurers in 2019 has increased their vulnerability to the volatility in equity capital markets. This is even though earnings improved in 2019 from investment gains and revised tax policies.

While the claim expenses associated with the outbreak remain uncertain, medical costs for future treatments may burden insurers. As of 3 February 2020, the Ministry of Finance and local governments have planned to allocate total funding of CNY47bn ($6.7bn) to assume responsibility of medical-related costs. S&P anticipates that eventual mortality claims will be moderate given the seemingly low fatality rate of the coronavirus infection.

The outbreak could increase insurance awareness in China, and may help the longer-term development of the country's life insurance sector. As the world's second-largest life insurance market, China's growth potential remains strong. S&P anticipates an accelerated revolution of traditional insurance distribution fueled by technology advancements as insurers seek to distribute policies remotely.

P&C

The coronavirus outbreak will strain China's property and casualty (P&C) sector as insurance companies see thinning profitability.

A lower economic outlook and increasing claims may pinch the already shallow pockets of Chinese P&C insurers. A highly competitive market and ongoing motor pricing reforms have pulled down profitability. And a slowing economy may lead to higher delinquencies for credit guarantee insurance contracts.

In S&P's view, the outbreak may limit auto sales volume in early 2020, affecting the already dim growth prospects for motor insurance. To cope, the sector had refocused its attention toward non-motor lines. At end-2019, non-motor insurance premiums accounted for 37.1% of the sector (up from 33.4% in 2018).

The non-motor insurance sector's strong premium growth is mostly funded by sales of accident and health contracts, which remain a loss-making business line. The increasing awareness of protection arising from the coronavirus outbreak could hike the demand for accident and health insurance. But the profitability of the non-motor insurance sector will likely remain subdued should the same pricing philosophy persist.

Demand from business interruption, event cancelation, and liability-related coverage could rise as policyholders seek to insulate themselves against man-made and natural calamities. However, S&P continues to perceive limited underwriting expertise and technical pricing as broader concerns about insurers' ability to underwrite such coverage.

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Thailand: Non-life sector remains robust despite narrowing profit margins - Asia Insurance Review

Motor, health and personal accident (PA), as well as property lines are expected to remain growth drivers for Thailand's non-life market, although profitability may face rising pressure given the fierce market competition and the need for insurers to improve pricing and operational sophistication, says AM Best.

A new Best's Market Segment Report, titled, "Thailand Non-Life Insurance Segment Remains Robust Despite Narrowing Profit Margins," states that in 2018, the Thailand non-life insurance segment posted THB232bn ($7.5bn) in direct premium written (DPW), making it the second largest non-life insurance market in Southeast Asia.

AM Best considers the market's earnings to be adequate; however, various segments of the market are facing difficulties in maintaining underwriting margins. Between 2015 and 2018, the market's combined ratio rose moderately, to 97% from 92%, while its return on equity weakened to 5% from 11%.

As the largest line of business, motor insurance will continue to dominate Thailand's non-life insurance segment and will remain a key driver of overall market growth.

According to the Office of Insurance Commission (OIC), in the first nine months of 2019, motor premiums grew by 5.4% and were a significant driver of the non-life segment's overall expansion of 4.7%. However, recent statistics from the OIC show a deterioration in motor insurance underwriting results, which declined to an estimated loss (based on AM Best's calculation) of THB1.6bn in 2018 from a technical profit of THB2.6bn in 2013.

Although the health and PA business in Thailand's non-life segment remains profitable, the segment's profit margins also have come under increasing pressure. In 2018, the market posted an underwriting profit of THB1.4bn, compared with THB1.9bn in 2013, while the combined ratio increased moderately during this timeframe, to 95%, from 90%, due mainly to a higher loss ratio.

Although the property insurance line of business (fire and industrial all risks) constitutes just 15% of DPW, it contributes more than 50% of the industry's underwriting profit. However, despite its profitability, the segment's loss ratio has been rising and premium volume declining. The market turned positive recently, with property DPW increasing by 2.3% during the first nine months of 2019. AM Best expects growth in this segment to increase given the likelihood of increased government spending on transportation and energy projects, along with foreign investment in the economic development of Thailand's eastern seaboard.

Overall, despite some concerns about the lackluster underwriting results of Thailand's non-life insurance industry, AM Best views the market's balance sheet as strong. The non-life insurance segment has maintained a reasonably solid track record of solvency in recent years, and the industry's capital adequacy ratio remains well-above minimum regulatory requirements.

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China: Regulator urges insurers to offer coronavirus-related products - Asia Insurance Review

China's top banking and insurance regulator will enhance supervision on insurance services amid the Wuhan coronavirus (2019-nCoV) outbreak, encouraging life insurance companies to offer products mitigating the impact of the outbreak.

Health insurers are encouraged to extend accident and health insurance plans to cover the novel coronavirus infection, reported Xinhua News Agency quoting the CBIRC.

The Commission says that it supports life insurance companies removing limits on waiting periods, deductibles and designated hospitals for policyholders infected with the disease if risks are manageable.

The CBIRC will also strengthen supervision over insurance companies, prohibiting behaviours such as imposing extra charges for extended coverage, using the epidemic situation to hype insurance plans and enticing policyholders to discontinue existing plans and switching to new products.

The regulator says too that life insurance companies should set up a "green channel" to prioritise claims for clients affected by the epidemic, simplify claim payout procedures and provide support to clients via online payments and payments in advance.

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Global: Reinsurers face greater risks in coronavirus outbreak than insurers - Asia Insurance Review

Reinsurers may face higher levels of risk than life and health (L/H) insurers in the current coronavirus outbreak, as the risk profiles of the former entail higher exposures to mortality and morbidity risks, says AM Best.

A new Best's Commentary, titled, "Coronavirus Highlights the Importance of Stress Testing," says that overall, the L/H sector can bear the cost of mortality and morbidity stresses, although insurers need to be able to quantify all aspects of pandemics, including economic and operational risks. Most L/H companies have addressed pandemic risks by conducting stress tests for various modelled assumptions. Additionally, insurers with tested economic capital models are positioned better to combine the impact of a contraction in GDP with increases in mortality and morbidity. Enterprise risk management remains a critical aspect of how companies handle these events.

The rating agency notes that reinsurers typically have higher exposures to mortality and morbidity risks, and may have as much as 40% or more of required capital held for these risks before diversification. But in an effort to minimise the concentration of these risks, global reinsurers have been broadening their risk exposures to include financial solutions, asset management solutions, and other annuity risk arrangements.

P&C insurers may suffer some losses due to business interruption, event cancellations and travel related covers, but these losses will be manageable for them. Overall, technological advances should assist in minimizing any impact, due primarily to communications and reductions in response time for care delivery.

The WHO has declared the coronavirus outbreak as a public health emergency of international concern, which would accelerate national level efforts to create a vaccine, as well as trigger more stringent travel restrictions.

The coronavirus has infected more than 14,000 people since it was first reported from Wuhan on 31 December. The vast majority of cases are in China, particularly in the city of Wuhan where the virus is thought to have originated, with more than 300 people now believed to have been killed.

Economic impact

More uncertain are the economic implications of the coronavirus, with a potential slowdown in China likely to have a knock-on effect on worldwide growth. The economic implications are likely to be significant, says the international credit rating agency. China's GDP contracted by an estimated 1% in 2003 because of the SARS outbreak. SARS also was a coronavirus and the outbreak coincided with the Chinese New Year. However, China's impact on the world economy is more significant today than it was in 2002-2003, so a potential slowdown might be a drag on worldwide growth.

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Pakistan: Regulator to work with insurers on adopting IFRS 17 - Asia Insurance Review

The Securities and Exchange Commission of Pakistan (SECP) and the Insurance Association of Pakistan (IAP) have assured insurers that the implementation of the International Financial Reporting Standard No 17 (IFRS 17) on accounting for insurance contracts will be carried out through a participative and collaborative approach with the industry.

The association has held two separate consultative meetings with representatives of the non-life insurance and life insurance sectors with MrAamirKhanm, chairman of the SECP, reported *Business Recorder*.

MrKhanm also assured the industry that the implementation of IFRS 17 will be done through consultation and that the SECP will provide support and engage proactively with the insurance industry.

An agreement was reached on the broad action plan with the understanding that a structured road map would be finalised for the implementation of IFRS 17 before the end of this month, that would cover milestones such as gap analysis, financial impact assessment, building the framework for accounting and actuarial reporting, financial modelling, training of human resources, testing of the models and final implementation.

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