भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

INSUNEWS

Weekly e-Newsletter

23rd – 29th March 2019

Issue No. 2019/13

QUOTE OF THE WEEK

"Setting goals is the first step in turning the invisible into the visible."

Tony Robbins

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Waiver of premium rider

Most life insurance policies today offer the 'waiver of premium' rider. This rider waives the outstanding premium when the life insured meets with an accident and turns disabled or reports critical illness.

Thus, while the policyholder continues to enjoy the life cover, there is no obligation to pay premium.

In child insurance policies, where the parent's life is insured with a lump-sum amount going to the child after a period of time, the 'waiver of premium' rider activates when the parent passes away.

It ensures that the policy continues to be in force and invests the premium regularly, and the maturity amount is given to the child after the promised number of years.

However, note that since the 'premium waiver' comes as a rider, you will have to cough up premium separately for it.

Source

INSURANCE INDUSTRY

Bundling insurance with mutual fund SIPs may not be a good idea – Money control – 28th March 2019

Combo offers look good because they give us an impression of things coming cheap. The financial space is no different. Insurance companies are only too happy to bundle investment plans into their insurance policies and have been offering unit-linked insurance plans.

Mutual funds now aim to take it back by offering insurance plans with mutual fund schemes. As the inflows into equity funds have been slowing, fund houses are resorting to the "free insurance" sales pitch to attract more investors.

This tax-saving season, DHFL Pramerica Asset Managers (DPAM), jumped on to the "no-hidden cost insurance" bandwagon, wherein investors aging 18-51 years, who opt for a minimum of 3-year systematic investment plan (SIP) in select schemes, would be offered a free-insurance cover.

What's on offer?

In a plain vanilla SIP, you invest a sum of money every month and your fund house invests your money in equity or bond markets based on your scheme's objective. In insurance with SIP package, you get a term life cover that is bundled with your investments. Here, if the primary or first unit holder dies then the nominee gets the sum assured, while the secondary holder doesn't get the insurance cover.

Though the insurance cover increases during the first, second and third year of SIP investment, it is actually yours only if you continue the SIP for three consecutive years. For instance, DHFL Pramerica allows 20 times cover of the monthly SIP contribution for its 1-year SIP, 75 times for second year and 120 times the monthly SIP contribution worth of insurance cover for its 3-year SIP. Even if you discontinue the SIP after the third year, the insurance cover would remain intact.

For fund houses, an SIP insurance scheme also acts as a means to attract more investors. The hope of the mutual fund industry is that such a free insurance offer would encourage SIP investors to opt for a longer tenor.

As Ajit Menon, CEO, DHFL Pramerica MF explains, "As far as equity is concerned, spending time in the market is essential for it to be able to generate returns of the magnitude commonly attributed to equity. SMART SIP is simply incentivizing the investor further. The insurance cover provided increases with increase in the tenure of the SIP. Talking about the benefits Menon adds, "By offering insurance free of cost, the idea is to encourage investors to start the habit of regular savings, thereby eliminating the need to time the market. Secondly, it helps the investor in ensuring that his financial goals are well funded, even if some unfortunate event happens with the investor."

The maximum insurance cover that all such bundled plans give you is of a sum of Rs 50 lakh. Even if you were to invest across various schemes within the same fund house, you will get a maximum life insurance cover of Rs 50 lakh. Further, the 'Declaration of Good Health' mandate too has been done away with for this group insurance scheme offered by DPAM. While most such insurance with SIP offers come with an initial 45-day no coverage clause, DPAM initiates your insurance cover as soon as you invest.

Different plans, different covers

Before you jump to enroll for a SIP that comes with an insurance cover, check the extent of cover you'll get. DPAM is offering a sum assured of 20, 75, 120 times the monthly SIP investment amount for 1-year, 2-year and 3-year SIPs, respectively. Others offer 10 times to 120 times (of the monthly SIP amount) cover. Let us work out the math for the highest coverage multiple for 3-years SIP of 120 times, which is also offered by most of the fund houses.

The average SIP amount for Indian mutual fund investors during financial year 2018-19 has been Rs 3,125 per SIP account, as per the Association of Mutual Funds of India, as per its February 2019 data. If you opt for the three year plan, you are eligible for a term life insurance cover of Rs 3.75 lakh (120 x Rs 3,125 of monthly SIP).

You might think the cover is for free since fund houses aren't charging anything extra from you, at least visibly. Your monthly SIP contribution is the only thing you pay every month. Think again. SIPs that come bundled with the insurance feature impose higher exit loads of up to 2% to deter pre-mature withdrawals, as opposed to the normal 1% for withdrawals made within a year.

If one were to purchase an insurance cover for that amount, it would cost an average of Rs 1,200-1,800 (a 35-year old male policyholder), based on the age and other parameters, which is borne by the mutual fund house currently. Suresh Sadagopan, founder of Ladder 7 Financial Advisories, says, "Such term cover would be available for a couple of thousands if you buy a standalone term life cover. Hence, the insurance feature should not determine the scheme selection process for an investor. Investors should not invest in a scheme purely for the life insurance cover.

Instead, look at a scheme's historical performance versus its own benchmark index and peers, your financial goals and asset allocation, your own risk profile and your schemes' and then decide which scheme you should invest in." Even for the maximum sum assured offered of Rs 50 lakh the premium- or more specifically, your monthly SIP instalment- would be around Rs 6,200-17,600 based on the age and other factors. One would have to clock in a SIP instalment of Rs 50,000 per month to actually get the benefit of Rs 50 lakh insurance cover; which may not be a good thing for you to do if the SIP doesn't meet your financial goal.

Insurance Sufficiency

Those who haven't purchased an insurance cover might be tempted to test the insurance waters or visa-versa with first time mutual fund investors. But investment and insurance needs are best kept separate.

As Vivek Damani, founder of financial advisory Jeevan Prabandhan points out, "The offer of free insurance on mutual fund SIP may leave one in a situation of under insurance if they do not have any other term insurance plan based on their need. With the average SIP size being in the range of Rs 3,500

per month in a folio, that would translate to an insurance cover of Rs 5-6 lakh and one needs to question whether the same is sufficient."

Mutual fund along with term insurance: What's on offer?

Insurance companies offering bundled investment products is common. But did you know that mutual funds also offer insurance covers in their SIPs? Beware of the conditions and limitations, though

Fund house	Sum Assured (no. of times the monthly SIP amount)			What can cancel your insurance cover?
	1-year SIP	2-year SIP	3-year SIP	
DHFL Pramerica	20	75	120	Partial/ full withdrawal, switch
Reliance Nippon Life	10	50	120	5 SIP installment defaults, partial/ full withdrawal, switch
ICICI Prudential	10	50	100	5 SIP installment defaults, partial/ full withdrawal, switch
Aditya Birla Sun Life	10	50	100	2 consecutive defaults, 4 total defaults, partial/ full withdrawal, switch
Those between 18-51 years of age are eligible for SIP-cum-insurance programs. Insurance cover continues till age 55 years, except 60 years for Aditya Birla Sun Life AMC)				
Minimum investment for all SIP is Rs 500, except for Aditya Birla Sun Life AMC that requires a minimum SIP of Rs 1,000				
The maximum term plan cover provided by the fund houses is Rs 50 lakh				
All fund houses except DHFL Pramerica Asset Managers require a declaration of 'good health'				
Source: Mutual fund websites				

What Damani means is that when investors invest in mutual funds, they first decide how much money they would like to invest and then settle for an insurance cover that comes along with it. And then based on this insurance cover, it's possible that investors may not opt for any additional insurance cover, despite the existing cover inadequate.

Experts recommend an insurance cover of 10 times of the annual income as a thumb rule. "Ideally one should take into account the financial stability, dependency of the family, the type of job held and the liabilities," Damani adds.

Cover discontinuance

The risk with an insurance cover of this kind also is that there are chances of the cover being discontinued due to many reasons – some technical and others linked. Firstly, if you do not continue the SIP for a minimum 3-year or for the tenure you have opted for in certain cases, the insurance cover would be void.

Also, there are many other conditions that have been laid in the fine print. Any partial or full withdrawal or even switch outs from the mutual fund scheme before the completion of three years would make the insurance cover cease (see table above). "Since a switch is also considered redemption in the current scheme, the insurance cover would seize. However, you could use this facility in the scheme to which you have switched to already," Menon clarifies.

Aditya Birla Sun Life AMC specifies that a default of 2 consecutive SIP instalments or a total of 4 defaults can lead to cessation of cover. "In the long run you cannot depend on this type of insurance cover completely as the cover may be discontinued if you either stop investing or withdraw the money before the mandatory 3-year period," warns Damani. Those who outgrow the 55-year bar (60-years for Aditya Birla Sun Life AMC) too would be left without an insurance cover as these group insurance plans offered by the mutual fund houses would be discontinued at that age. A standalone term insurance cover is available up to the ages of 70-75.

Money control take

If the scheme that is offering an additional insurance cover fits within your objective and the product is comparable with peers then there is no harm in opting for the insurance cover. But the insurance cover should not be a decisive factor.

Damani elaborates: "The main objective of investing in a scheme gets defeated if the scheme doesn't perform with the market. The insurance offered is nominal and doesn't offer much protection except as an additional cover, which isn't sufficient by itself. Consider the insurance as a bonus and not a reason in itself to either invest in a scheme or stick around despite of underperformance."

(The writer is Khyati Dharamsi.)

TOP

Source

Death by mosquito not accident, can't claim insurance: SC – The Hindustan Times – 27th March 2019

A disease caused or transmitted by insect bite/virus in the natural course of events would not be covered by the definition of an accident, the Supreme Court has held.

A bench of justices DY Chandrachud and Hemant Gupta gave the ruling in a matter related to insurance cover for a bank employee who died due to malaria occasioned by a mosquito bite in Mozambique. The judges, however, said that in case the affliction or bodily condition may be regarded as an accident where its cause or course of transmission is unexpected and unforeseen.

The bench was dealing with an appeal against the National Consumer Commission which rejected the Insurance Company's contention that malaria due to mosquito bite is a disease and not an accident. After hearing the rival submissions and considering the provisions in the insurance policy, ruled in favour of the insurance company and held that in a place like Mozambique, death due to malaria from mosquito bite cannot be considered as death due to an accident.

TOP

Source

How do I decide if I am actually under-insured? – Financial Express – 25th March 2019

When Rajiv met his financial advisor for the first time, he started off quite confidently. He had a life cover of Rs 25 lakh and he believed it was more than sufficient for his family of three. However, when Rajiv sat down with his financial advisor, he was in a state of shock. The advisor told him that a corpus of Rs 25 lakh will have to be invested in a liquid fund as the family's risk appetite would be too low. A safe liquid fund would earn around 5.5% annualized. If you remove the tax impact, the family would be left with about 4.5% net return on the liquid fund. That would translate into an annual post-tax flow of Rs 112,500 which translates into Rs 9,375 per month. That was when Rajiv realized the enormity of the problem because the amount would be about 1/10th of his current monthly expenses. Here is how Rajiv should go about the task.

Link insurance to your goals

In fact, Rajiv should first set out his financial goals and convert them to numbers before deciding on insurance. Life insurance policy is designed to provide security to your family in your absence. The best of financial plans are vulnerable to uncertainty. For Rajiv, insurance actually bridges that gap and gives greater degree of predictability to the financial plan. Look at insurance as a risk cover for the financial plan and therefore your financial future. This applies to life cover, medical cover and other insurance covers too.

How to decide the quantum of life insurance required?

In the above case, Rajiv has monthly expenses of Rs 95,000 on a regular basis. God forbid, if something was to happen to Rajiv, he would need to replenish this income on a monthly basis. Ideally, the basic provision should be for the basic minimum expense plus an emergency corpus. If Rajiv plans a monthly flow of Rs 110,000 from his insurance corpus, it will translate into an annual inflow of Rs 13, 20,000. To earn that kind of money annually from a liquid fund paying 4.5% post tax, he would need an insurance

corpus of at least Rs 2.93 crore. So his basic life cover should be around Rs 3 crore and not Rs 25 lakh. In short, Rajiv is grossly underinsured.

There is a more practical problem that Rajiv has. He is already paying a hefty premium of Rs 10,000 per month and there is no way he can pay 10 times that amount. Well, he does not have to. His premium is currently high because he has opted for an endowment policy. All he needs to do is to convert his endowment policy into a pure risk term policy. He can get his enhanced cover at approximately the same premium. He may not get anything if he survives the term, but that is not the intent anyways.

Don't forget to insure your liabilities too

When we talk of the adequacy of insurance, we normally focus on monthly expenses and living costs. Another important factor to remember is to insure your outstanding liabilities. If you have a home loan or a car loan, then the asset is hypothecated with the bank or the financer. What happens if you are not able to pay the instalments on the loan? The bank may give you a couple of notices and then repossess your car or your apartment. That is the last thing you want your family to go through in your absence. The answer is to take a term cover to the extent of outstanding liabilities. If you have an outstanding loan of Rs 50 lakh on your apartment, then you should include the same in your life insurance.

Sounds elementary; but also buy insurance for your assets

Ensure that your property is insured for its value against uncertainties like fire, flooding, electrical faults, earthquake etc. This will ensure that any damage to your assets do not result in disrupting your family's regular flows. These are again in the form of term policies and they purely insure the assets without acquiring any surrender value. This will be an added layer of protection for your family.

Ensure that there is adequate health cover for the family

Even if you are the sponsor of the medical cover policy, your spouse can become the sponsor in your absence and retain the medical cover. When you take a medical cover you need to balance between adequacy of cover and the cost of the cover. Ideally, use the family floater route rather than the individual health cover route as it gives you a higher cover at a lower cost.

When you consider adequacy of insurance, you need to consider life cover, liability cover, asset cover and medical cover. That is what security for your family is all about!

(The author is Sandeep Bhardwaj, Chief Sales Officer, Angel Broking Ltd)

TOP

Source

Companies face 3 to 9 fold increase in insurance cost - Deccan Chronicle – 25th March 2019

After enjoying a decade of low rates, companies buying insurance covers for their plants, machinery and properties are seeing a three- to nine-fold rise in insurance cost from this month. This is because the country's largest reinsurer, General Insurance Corporation of India (GIC Re), has passed an endorsement stating that insurers wanting to utilise its treaty—an arrangement where capital is pooled by various reinsurers to give reinsurance support to insurers—will have to quote higher premium rates for providing covers to certain manufacturing segments.

Thus, premium rates have gone up for companies manufacturing rubber goods, plastics, textiles, chemicals below 32 degrees centigrade flashpoint, besides transporters godowns, steel plants and thermal power plants. The new rates are based on claims data with the Insurance Information Bureau (IIB), an insurance data repository.

As per the circular from GIC Re, all non-life insurance companies will have to add the cost of procurement/management costs to the IIB-identified rates and accordingly quote for their corporate clients. Around 60 per cent of corporate covers are renewed on April 1 annually while the remaining get renewed throughout the year.

A top insurance broker told FC, "After the non-life insurance sector was detariffed in 2007, insurers competed with each other on rates to gain market share. They were offering 99 per cent discount to corporate clients on the erstwhile tariff rates for FLEXA covers (policy covering fire, lightning explosion/implosion and aircraft insurance) while charging some premium for providing cover for natural catastrophes."

"Since GIC Re is the market leader, all insurers have treaty arrangement with GIC Re. With huge claims from corporate clients, GIC Re had been suffering and so it identified eight sectors that have huge claims outgo and where the premiums are not sufficient to meet the claims and told the insurers that treaty is available only if they follow IIB rates, which are based on the burning cost (claims outgo) of each sector," added the broker.

Explaining the impact, another insurance broker said, "For power and pharma companies, the premium rates have gone up three times while for chemical manufactures, where the loss ratios were very high, the rates have gone up nearly nine-fold." Illustrating, the broker, said: "Earlier, the overall premium rate for chemical manufacturers (below 32 degrees centigrade flashpoint) was 27 to 28 paise for a sum insured of Rs 1,000, which is now 268 paise for FLEXA, natural catastrophic and earthquake cover, which translates to a nine-fold rise in insurance cost."

"Soon after detariffing, many insurers were charging 27 to 28 paise for a sum insured of Rs 1,000 for providing a natural catastrophic cover and 5 paise for FLEXA cover. The same was Rs 1.25 during the tariff era. The claims ratio in the eight identified sectors is steep. Now with the new rates, some sanity will prevail in the market. However, the bad thing is that corporate clients which have a favourable claims ratio too will have to pay a higher premium."

Said the CEO of an insurance company, "Reinsurers have suffered large catastrophic losses worldwide. Secondly, with GIC Re being a listed company, profit is now its motive." A text message sent to Alice Vaidyan, Chairman and Managing Director of GIC Re did not elicit any response.

(The writer is falaknaazsyed.)

TOP

Source

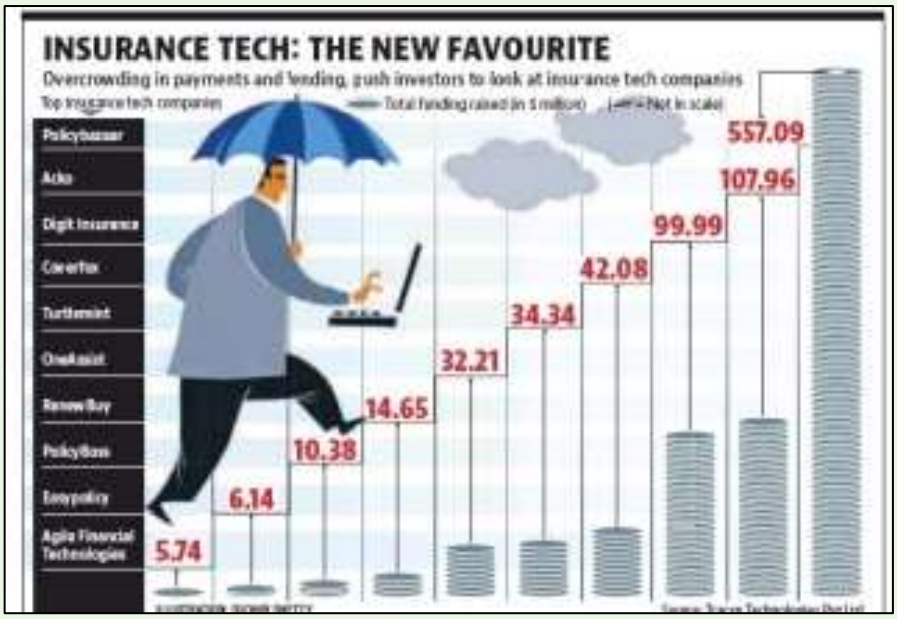
Insurance technology gets crowded – Mint – 23rd March 2019

Binny Bansal, founder of Flipkart, recently invested in an insurance technology company. Clearly, insurance technology companies seem to be attracting investors' attention since 2018. In the first two months in 2019, out of the $397 million raised by fintech companies, $220 million was pumped into insure tech companies, according to Tracxn Technologies Pvt Ltd, a data analytics firm. Policybazaar raised $191.6 million followed by Turtlemint ($24.9 million) and Aureus Analytics ($3.1 million). Though the deal happened in 2018, it closed this year. Insurance technology as a segment in the overall fintech ecosystem is still at a nascent stage. However, there are 146 active companies in this segment. HT Money looks at some the insurance technologies segment to understand what it brings to the consumers and investors:

Rise of insurance technology companies

Overcrowding in payments and lending technology companies has pushed investors to look at newer avenues, such as insurance technology firms. "Investment in the payments and lending companies has

matured and the sector is crowded with too many companies. However, cumulative investment is still lesser in insurance compared to banking," says AbizerDiwanji, partner and national leader, financial services, EY. However, in the bargain, insurance technology companies have started getting crowded too. To begin with, this category can be divided into – digital only insurance company which holds insurance licence, insurance aggregators and companies that act as a platform for agents.



Digital only insurance companies

Digit Insurance and Acko Insurance are examples of digital only insurance companies which have insurance licences and distribute insurance product directly to customers without middlemen. They are manufacturers of the insurance product and sell only on the digital platform. Hence, if you are buying a car insurance policy from Acko platform, you will only get an Acko car insurance. Companies such as Toffee Insurance that create bitesize insurance products can also fall in this category – the difference is they go to insurance companies to create customised products and then sell on the platform.

Insurance aggregators

Aggregator companies such as Policy bazaar and Coverfox provide insurance products of various insurance companies on their platform, which you can compare and buy. Here these companies don't manufacture insurance policies but sell policies manufactured by insurers on their platform. For instance, you can buy health insurance policies of Apollo Munich or Max Bupa from these platforms. You can speak to an advisor as well. These are not insurance companies but online platform that sell it.

Platform for agents

Considering insurance is a push product, you will need agents to sell insurance. These are sub-broking platforms where there are companies such as Turtle mint and Renew buy which are creating platforms for agents that are able to sell multiple products. Till a year ago, agents were not able to sell multiple company products and hence, they were not able to monetise will. These platforms provide sub-agency or sub-broking licence.

How to choose the right insurance policy online?

Insurance as a product is not an easy one to buy, given the total number of products in the market.

"There are over 50 insurers with over 300 variants of health cover. In case of life insurance, there are at least 250 policies including term plans, traditional plans and unit-linked insurance plans," said Kapil Mehta, co-founder, Securenow.com, an insurance broking company. Given that there are close to 150 fin-tech companies to buy insurance from, how do you decide where and how to buy from? Firstly, remember that you need a basic life and health insurance plan depending on your age, location, income and dependants. You can choose to go the insurance aggregators to compare insurance products before buy. When it comes to bite-size insurance plans, it is advisable to look for exclusions and claim ratio before opting for one. Seek help of a financial planner if you are not sure which one to buy.

(The writer is Sonali Chowdhury.)

Source

TOP

INSURANCE REGULATION

Irdai's approval to new regulations for life insurance products - Business Standard – 29th March 2019

The Insurance Regulatory and Development Authority of India (Irdai) on Thursday gave the go-ahead for the new regulations for life insurance products. It also gave the first level approval, or R1, to India bulls Integrated general insurance business in its board meeting.

The insurance regulator had released the draft regulations for linked and non-linked life insurance policies in October 2018. It had earlier formed a committee to review product regulations in the life insurance sector. Based on its recommendations the draft regulations were released, which were approved on Thursday.

The new regulations will allow the insurers to charge an extra premium from policyholders who wish to buy riders with unit-linked insurance plans. Currently, insurers deduct units from ULIPs in case a policyholder buys riders with it.

Moreover, the new regulations are going to do away with the minimum capital guarantee norms that bind the life insurers to invest heavily in debt to offer fixed returns to the policyholders. It will also allow partial withdrawal in case of linked pension plans in situations of critical illness, permanent disability because of an accident, or any other major health issue wherein the insured needs to withdraw some amount for survival. Also, the new regulations are going to make it easier for policyholders to buy an annuity at the end of a pension product's policy terms as they will have the option to buy it from an insurer of their choice. Earlier, they had to buy an annuity product from the same insurer.

Other changes that would come into effect because of the new regulations are minimum death benefit would be seven times for regular premium products and 1.25 times for single premium products for all age groups.

(The writer is Subrata Panda.)

TOP

Source

IRDAI moots public disclosure norm – The Hindu – 25th March 2019

A public disclosure norm requiring all general insurers, health insurers, specialised insurers and reinsurers, including branches of foreign reinsurers, to share information at specified intervals about their financials and performance, are on the cards.

The Insurance Regulatory and Development Authority of India (IRDAI) on Monday issued an exposure draft detailing the proposed norms, and proposed the implementation from 2019-20.

Segmental reporting

The norms require the insurers to share information about revenue, profit and loss account and balance sheet, as well as provide segmental reporting and schedules to accounts.

Stating that one of the objectives of the norms was to ensure safety of policyholders, the regulator said the International Association of Insurance Supervisors had recognised that the insurers had an equal, if not, greater responsibility towards the policyholders than their duty towards investors.

"This is because when insurers become insolvent, loss to policyholders is much more than that to investors. Public disclosures on the risks faced by the insurers provide information to the policyholders to make informed decisions before entering into an insurance contract," the exposure draft said. Besides safety of policyholders, other objectives behind the proposed disclosure norm are to serve as a tool to assess risk exposure of an insurer; educate investors on company's financial performance, financial position, risk exposure, corporate governance and management; measure orderly growth of the insurance sector; and have uniformity in the performance indicators.

Though they may not be listed on any stock exchange, such public disclosures become necessary even for all the insurance companies, Member (Finance and Investment) Pravin Kutumbe, said. The exposure draft makes it mandatory for the insurers, other than those into life insurance, to upload on their website the details on a quarterly basis and publish in newspapers the details on a half yearly basis.

"Public disclosure of risks faced by the insurers is critical for ensuring a fair and orderly insurance sector. They provide necessary feedback to the investors, policyholders and the general public," the draft said.

TOP

Source

LIFE INSURANCE

Millennials want to participate and co-create products with insurers – Business Standard – 28th March 2019

Top industry leaders discuss the future of the life insurance industry and how they attract millennials

What are the traits of millennial customers and what needs to change for them in the insurance industry?

Sanjeev Nautiyal: Millennials would like to participate, share their views and actually create products in the insurance space. The consumer of today, especially millennials, wants to co-create products with life insurance companies. The millennial customer wants the life insurance industry to be more flexible and participatory so that his voice and inputs are also heard and taken cognizance of.

With the web aggregators and new fintech companies coming in, the industry is trying to achieve it. But it is difficult since regulation is wrapped around those products. But as millennials continue to push the boundaries, I think they will be testing the regulators too. So I see a lot of innovation happening in the insurance space with the regulator's blessing. The millennial customer today values clear and honest communication. Insurers have to put that into perspective and reimagine the customer journey.

N S Kannan: Millennials comprise of various age groups and any generalization, or stereotyping is fraught with huge risk. The age of millennials today differs from 18 to 35, this is a huge heterogeneous population which can-not be boxed in by stereotypes. They are not reckless at all and their spending habits and consumer behaviour are vast and varied. You have to talk their language in terms of what their life goals are. We should be open for partnership and non-conventional distributorship within the space.

Suresh Badami: There is a broad generalization that millennials are brash and reekless but we don't believe so. Our ad campaigns talk of being young and responsible. There is this whole segment that is growing and there is a slight shift into insurance. It is not a product that millennials will not look at but they might look at it at a different stage. They will buy insurance if it adds value for them. For millennials it is more about an ecosystem and not just a single product. We need to create not just categories but an entire support system.

Yashish Dahiya: Below the age of 23, we rarely see people buy insurance. Customers between the age of 24 and 40 probably form 75 per cent of all insurance purchase on our platform. We are not technology-oriented but more research-oriented. The older generation was more trusting and not research-oriented. Millennials do their own research, identify what they want to buy and trust Google and their research more than what anyone says. They are rational, questioning in nature and choose products better. The biggest resistance we find is that most of them are not yet long term investment thinkers. We are not seeing churn in millennials but they question the lock-in period and want more freedom. If there wasn't a lock-in, there would be more investment purchases from millennials.

How do you woo millennia's?

Badami: We need to go back and look at the value proposition that we can bring across to the millennial population, we realise that it is a fairly wide age band. When we look at any customer segment, we look at how we get their know-your-customer (KYC) right, unfortunately KYC has become more of a tick-mark of documentation but the real approach is to go back and understand customer profiles. Millennials have different spending habits and different outlook on life, so their consumption behaviour and brand preferences are different. So we have to think about how we communicate to them using available technology.

Millennials are also into a different kind of networking and have a two-way communication with a brand so we have to create the right kind of ecosystem and products. We are looking at how we can create products more suited to their needs and how we use technology to provide instant service. There is also a rub-off effect of millennials on the rest of the population and expectations of a certain quality of service. So it applies to our entire gamut of customers.

Nautiyal: Perhaps a millennial customer would like a core product with a lot of frills and peripherals and would like to exercise his discretion to pick up the pieces or parts that are relevant for his life stage. Currently, we have more structured products where there is hardly any differentiation or modification. If a customer today wants a core product and certain additional frills, he should have the discretion to choose that and be able to modify the products. Simplification of products is also very important. The products should be de-jargonised. The ecosystem should be transparent in order to cater to millennials.

Pankaj Razdan: Whats-App is the easiest and most convenient way to connect with people in the country. Fortunately, most millennials are mobile agile and live their lives around their devices, so WhatsApp helps with them. But we didn't start WhatsApp service because of millennials, but because a very wide section of demographics uses it.

Tarun Chugh: Millennials do not look at death benefits so we are focusing on life benefits since most of us today want to gain while we are living. We say life insurance but what we do is death insurance. All our messaging, products and advertising is negative. That has got to change and we have changed that in our company and we have taken the track that we will be the enabler of life goals for our customers. We will help the customers figure out their five-year goals and beyond and help in fulfilling them.

Kannan: For the younger bracket of millennials, we will look at awareness building. For the second bracket on their first jobs, we can offer a low ticket saving scheme. Close to 50 per cent of our term policies comes from millennials and it is a very good segment. So, even for term, millennials become a very good segment. In terms of selling with millennials being digitally native, we need to have the processes in place to make sure that we can place a product in the way they want to pick it up. The buying process has to be smooth, else the millennial will move out. Policies have to be issued instantly.

Our average age for protection products is 35 years as against average age of 45 years for a saving products, so that's a huge opportunity for all of us.

Why is the proportion of insurance premium to the total GDP coming down?

Razdan: If you compare to 2010, the same products are now being sold at much cheaper rates, almost 25-30 per cent lower than before. You cannot ignore the fact that life insurance, due to regulatory changes, has become more affordable, amenable, and easy to access. One has to look at insurance not as a ratio to GDP but in terms of number of households. A large pool of the population owns insurance but they don't have adequate insurance.

Kannan: I think of the phase of 2010-2014 as a period of recalibration. There was a lock-in stipulated and rightly so, products were refiled. Instead of looking at premium as a metric, we can also look at sum assured as a percentage of GDP, that has been steadily growing and we are at about 75 per cent. The aberration was caused by a deliberate need to recalibrate the industry an since then it has been go-at a good rate. Obviously when the prices are lower, the aver-age ticket size suffers.

Chugh: Private sector has been growing faster so if you add nominal GDP to be about 10-12 per cent and growth of private sector is upwards of 14 per cent but Life Insurance Corporation has been a little slower. Of course, it has a large base and it is difficult to grow on such a base as just one company. There are segments that have slowly gone away from us but there are also some segments that we are not addressing. Today, there are 30,000 people every day that touch the age of 60 and we don't sell to them. So there is also a segment that is walking away from us. Also, there are very few people now who have financial planning, so we see that as an opportunity. On one end we need to tailor products for pension, but we also need to look at how to increase the term component in the industry. We need to look at how we can bring value creation.

Nautiyal: There was a period where a lot of sales of unit linked insurance plans (ULlPs) had happened because of which the penetration level had increased but then the regulator stepped in and course correction happened. There were a spike and then the regulator stabilised those highs. Last three to four years, the industry has grown at a very constant rate.

Dahiya: Within the next 10 years, India will be number one in the world in sum assured to GDP. If you look at the growth over the last eight years, we have at least doubled the ratio of sum assured to GDP. We were at 30 per cent and as of today, we might be at 80-85 per cent, so we are rapidly going through a sea of change. Our job is not to collect premiums but to provide sum assured. So it's the sum assured to GDP ratio that really matters and that is the impact that our industry is having on the country. I am confident that in 10 years, India will be the number one in terms of sum assured to GDP, much higher than the US.

There is still a perception that there is mis-selling in the insurance industry. Your comments?

Badami: For a long time, life insurance was a push product because it was a complicated product so someone had to go out there and sell the product. The new product regulations, technology and design where-in people are able to compare and understand features are leading to a pull effect. We may not be fully there but it is happening. In life insurance there is a lack of understanding but there have been controls put in by the industry. We do verifications; audits as well as triggers are put in place.

Chugh: There has been marked reduction in mis-selling and there has been a downward CAGR (compounded annual growth rate) of almost 22-23 per cent every year in that. There was a phase where everybody mis-sold, the regulator put trust in the insurance companies and all of us went haywire trying to hit the four per cent. That is an issue of the past but the stigma still stays. There are issues around liquidity which people later realise and is the single biggest reason why people talk about mis-selling.

Razdan: Wherever money is involved mis-selling does happen. The best way to understand an industry is to read complaint letters and they used to be all about mis-selling as a result of the product design. Now there are barely any complaints about it. The entire industry got coloured but it was certain pockets

of distribution that were mis-selling against which the regulator took a hard stance. There is significant reduction now.

Kannan: Mis-selling doesn't help us. We are not getting any benefits out of it and it destroys value for shareholders. So it is not something companies should be encouraging. In fact we should come very hard on mis-selling with the help of the regulator and that is what has happened. The ultimate proof is the persistency movement in the past five years with renewal premium coming back. If a mis-sale has happened, people will not pay renewal premium.

Dahiya: There are some products like pure protection where there can be no mis-sale. Clearly, product quality has been improving, customer persistency has been improving and that is the way to go. The one question as insurers, regulators and individuals we always have to ask about a product, is whether we are doing the right thing and not just for ourselves.

TOP

Source

Tax Saving: How life insurance can help you save tax under Section 80C, 10(10D) and 80D – Financial Express – 28th December 2019

Many of us defer tax planning or income tax investments until the last financial quarter or to the last financial month of March. This leads to hasty investment decisions just to save tax, which might not be a judicious move. Investments should be made in such a way that it enables you fulfil your life goals. Here are a few things to keep in mind before investing in tax-saving instruments.

Know your taxable income

Before you start tax-saving investments, you should be aware how much tax you need to pay. For that you have to know your taxable income. The taxable income does not include any amount which is received against furnishing of bills. An individual's income is subject to tax at three different rates depending on the taxable income as stated below for FY 2018-19:

Annual Income	Rate of tax	Surcharge	Health & Education Cess
Up to Rs 2,50,000	Nil	Nil	Nil
Rs 2,50,001 - Rs 5,00,000	5%	Nil	4% of income tax
Rs 5,00,001 – Rs 10,00,000	Rs 12,500 + 20% of the total income exceeding Rs 5,00,000	Nil	4% of income tax
Rs 10,00,001 and above	Rs 1,12,500 + 30% of the total income exceeding Rs 10,00,000 +	Up to Rs. 50 lacs – Nil Rs. 50 lacs – Rs. 1 cr – 10% Above Rs. 1 CR – 15%	4% of income tax & surcharge, if any

To understand how taxable income is calculated, let's take an example. Assume a person is earning Rs 6 lakh as taxable income every year net of all deductions, then the first Rs 2.5 lakh would not attract any tax. The amount between Rs 2.5 and Rs 5 lakh would be taxed at 5%, i.e. Rs 12,500. The amount exceeding Rs 5 lakh, which is Rs 1 lakh in this case, will be taxed at 20% or Rs 20,000. So total tax liability of this person would be Rs 32,500 plus cess of Rs 1,300/- i.e. Rs 33,800/-.

However, Section 80C of the Income Tax Act, 1961 allows you to claim up to Rs 1.5 lakh in deductions if that money is invested in tax saving instruments such as life insurance products, Employee Provident Fund, fixed deposits, National Savings Certificate and tax-saving mutual funds, among others. By

investing the entire Rs 1.5 lakh in tax saving investments, one can save up to Rs 46,800 tax every year. (Calculated on investment of Rs. 1.50 lakh @ 31.20%)

Choose the right tax-saving product

Tax-saving investments should be made in such a way that they are part of your larger investment portfolio which helps you achieve your life goals. Life insurance plans offer almost all the solutions for medium and long-term financial planning, and they also double up as tax saving investments.

As per the Income Tax Act, 1961, you can avail tax benefits by investing in life insurance. Let us look how:
Section 80C: You can claim deductions of up to Rs 1, 50,000 under Section 80C against the premium paid for a life insurance policy during the year, be it Term plan, Unit Linked Insurance Plan, Retirement plan, Investment plan, Child plan or Savings plan. In case of ULIP, the policyholder will need to hold the policy for a minimum period of five years and in case of any other life insurance policy; it should be retained for a minimum of two years from the start date of the policy.

To be eligible for this deduction, the total premiums paid in a year should be less than or equal to 10% of the sum insured. For instance, if the sum assured is Rs 50 lakh and the annual premium paid is more than Rs 1.5 lakh, then the deduction is capped at Rs 1.5 lakh. This is applicable if the policy is purchased after April 1, 2012.

These deductions are available for policies taken in your name, or in the name of your spouse or child.
Section 10(10D): The maturity benefit and death benefit under Life insurance policies are also tax free under Section 10(10D) of Income Tax Act, 1961. The only condition is that the annual premium should be less than or equal to 10% of the sum assured for policies purchased after April 1, 2012.

Section 80(D): If you buy a health insurance and critical illness policy, you can claim a deduction of Rs 25,000 in a year against the premium paid, under Section 80(D) of the Income Tax Act, 1961. This limit goes up to Rs 50,000 in case of a senior citizen. Under this section you can also avail tax reduction of Rs 5,000 for preventive health checkups in a year.

Further, medical insurance premium paid for parents or legal guardians is additionally qualified for deductions up to Rs 25,000 in a financial year. This limit goes up to Rs 50,000 a year if your parents are senior citizens. Keep in mind that the premium for health insurance or critical illness policy needs to be paid through net banking, cheque or debit or credit card. No benefit is allowed for cash payments.

Life Insurance goes beyond Tax Savings

While life insurance plans emerge as one of the preferred tax-saving investment options, they offer many more benefits which make them a value-packed investment solution to achieve all your life goals. The most important benefit being that it comes with a life cover, providing financial security to you and your family in case of an untoward incident which could impact yours and your family's life goals.

Second, products like ULIPs that come with a lock-in period and are long-term (5-10 years or above) investment options, not only bring in a disciplined approach to your investments, but also allow you to take advantage of the power of compounding and rupee cost averaging, thus letting your money grow over time. Such products also offer you a diversified investment portfolio to help you build a large wealth corpus to achieve your long-term financial goals.

Third, critical illness covers from life insurance companies help manage the financial burden that arises when a critical illness strikes within the family and enable you to keep their life goals journey on track.

Clearly, life insurance caters to various needs of investors apart from just tax savings. However, before investing in any tax-saving instrument, you must sync them with your life goals and begin planning at the beginning of the year. This approach will help you channelize your savings appropriately.

(By Manish Sangal, Chief Agency Officer, Bajaj Allianz Life Insurance)

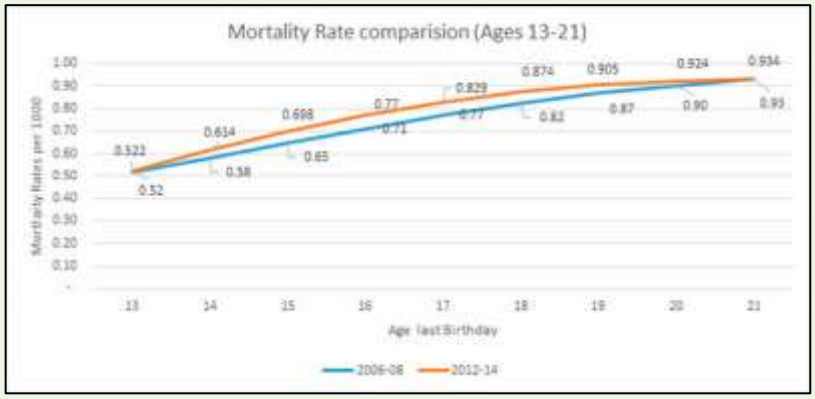
TOP

Source

Accident-prone teens drive up mortality rates – The Economic Times – 22nd March 2019

Even as Indian life insurers have recorded improvement in Indian assured lives' mortality rates across age-groups and genders, the 13-20 years age bracket has bucked this trend. Mortality rates have risen by nearly 5% as per Indian Assured Lives Mortality table 12-14 published by the Institute of Actuaries in India (IAI). "There has been an improvement in mortality rates across most of the ages except for teens and very old ages," says Subhrajit Mukhopadhyaya, Chief and Appointed Actuary, Edelweiss Tokio Life Insurance.

The last comparable table pertains to the 2006-08 period. Life insurance actuaries attribute this rise primarily to accidents that youngsters are susceptible to at this stage in their lives. "The higher mortality rates are an outcome of the rise in road accidents - the quality of infrastructure has improved over the years, offering greater scope to people, particularly youngsters, to drive at high speed on highways. Given that youngsters tend to ride two-wheelers, the risk of accidents is higher in their case," said Sunil Sharma, Chief Actuary, Kotak Life Insurance and President, IAI.



Not surprisingly, therefore, even in the younger age-band, teenagers seem more prone to accidents. "This age group is susceptible to higher mortality, especially in the ages of 15-18 years," said Anil kumar Singh, Appointed Actuary, Aditya Birla Sun Life Insurance. While Indian insurers are seeing this trend in the country now, it tallies with the experience of insurers globally. "Globally, insurers tend to record higher mortality rates for teenaged population," said Sharma.

According to Ministry of Road Transport and Highways statistics, India witnesses 1.5 lakh road accident fatalities every year and nearly half of these victims fall in the 18-35 years age bracket.
The writer, Preeti Kulkarni is Editor, The Economic Times.

TOP

Source

GENERAL INSURANCE

Investors should have a long-term view on insurance firms – Business Standard – 28th March 2019

CEOs of leading non-life insurance companies discuss the issues that the industry is facing and the opportunities ahead.

How can the public sector general insurers revive themselves and what role do they play in the present scenario?

Alice Vaidyan: Look at how the state-owned general insurers have served the country and how they have grown over the years. Yes, I agree that there has been a fall in their market share from 55 per cent to

45 per cent. Probably, the announcement of the merger of the three companies did not give much confidence to the public. The government has not gone back on its decision on the merger. As far as we know, the merger is going ahead. The merger is a good thing for the industry. Three public sector undertakings (PSUs) will merge, the fourth might merge, but we don't know that as of now.

Varun Dua: India is sort of 20-30 cohorts. There are areas in this country where the PSU insures can provide their service and private insurers will never get there or get there in a very long time. Players like us focus on digital India and millennials (probably the top 20-30 mil-lion), the private general insurers are looking at the urban to Tier-2 population. But there is a pretty large section Gene in the country in the rural areas or tier 3 cities which can only be met by the PSUs. I don't think the rural business is not profitable. It's just that we don't have the ability to reach there as of now.

Anui Gulati: As the economy has grown, insurance too has on an overall basis. Within that, competition has intensified. There are about 26-27 private and PSU general insurers and seven standalone health insurers. The knowledge base that the PSU insurers have and continue to have, helps them stand out in the market. And, a lot of us from the private sector continue to learn from them. As the market has gone retail, their ability to have change along with the market through technology, process to deliver has been slower writ than their private sector counterparts. In that sense, the PSU insurers have a role to play. They have to change rapidly to keep pace with the changing needs of the customers. But there is so much under-penetration and so much more growth to come that even now, it's not look late. There is an opportunity for all, and all of us have to change with time if we want to continue to remain relevant.

Neelesh Garg: PSU insurers are great at certain things and they are not so great at certain things. When the sector got privatized, lots of the sales especially on the retail side were "pull-sales". But wherever there was a latent demand, sales did not pick up. The private sector has gained market share by creating new demand in the market place and convincing the customers. It's not necessarily that the public sector has lost space. There are three kinds of customers: corporate, urban retail and rural retail. The first and the third is where the PSUs have a very strong advantage in terms of capacity, knowledge or the rural reach. In case of millennial customers and digital customers the private insurers have advantages in terms of speed and technology.

Bhargav Dasgupta: One of the challenges that PSU insurers had was for some time they were focused on market share, and market share at the cost of underwriting can always create dam-age. We are seeing a correction on that front. All the PSU insurers are changing on the pricing and the underwriting side. Then they will have the capital to invest in some of the more futuristic aspects.

Why are general insurers making underwriting losses?

Vaidyan: Insurance is a new thing to the markets. One cannot assess insurance companies on a quarter to quarter basis. One cannot take a very short term view of the industry. It has to be seen from a long term perspective. Insurance companies, world over, are bench-marked on annual performance. From GIC Re's perspective, we have been growing on a year-on-year basis and we are growing profitably.

The non-life market has been making losses on underwriting ever since the property class and fire class were de-tariffed in 2007. So, that has rubbed off on all the companies in the market. But, the climate of investment income is very good here and the investment income has been subsidizing the underwriting losses. So, overall companies have been making profit. I am very confident about the industry.

Dasgupta: Indian accounting standards are more conservative than the international standards. If we take a look at the long tail nature of our business, particularly in motor insurance, we have a large book

where claims will be paid after five-six years. Unlike banking, we estimate the future losses and hold it on a nominal basis. This in actually inflates the total provision that we make.

Indian general insurers' combined ratio is not as bad as it optically looks like. Insurance is a very volatile business, especially general insurance. There will be quarters where we will have investment losses because we look in at investment from a long term perspective. We do not do mark to market everyday unlike some other sectors, which is a good thing to do because then we can invest for a longer term. But when you take impact of the final losses, you may have investment volatility in a particular quarter. On the underwriting side, you will have volatility and that is more so for reinsurance companies than general insurance companies. I would urge the investors to understand the industry from a long term perspective rather than getting carried away by what has happened in a quarter.

Vaidyan: If you see the market now, a lot of correction is happening. Our market is growing like no other market in the world. If we take the western markets and the Asian markets, all are growing in single digits. Western markets are going at 2-5 per cent. India is among the few markets globally growing in double digits.

We are seeing growth at 13-15 percent and this growth is here to stay. It's only a matter of time that India will try become the fastest growing insurance market in the world. We are the 10th largest life insurance in the world and the 15th largest general insurance market in the world. So given the growth for opportunities here and because of all me the government efforts, it's only a matter of time that the market will become in profitable. Investors should be a bit patient and it will be both rewarding and satisfying for them.

What are the product Innovations at present and how can the regulator help to better the customer experience?

Garg: There is a significant amount of product innovation that has happened in the last 20 years of the insurance industry. Lot of the product innovation depends on the size of the market and customer demand. Four or five insurance companies have title insurance products but because of some constraints, very few successful sales have happened. Cyber insurance has taken off in a big way in India.

A lot of people in the industry would know that traditionally motor insurance used to provide one-third coverage because of various exclusions. Now, we have products which are covering 100 per cent of your motor car. So, that is a big innovation. Similarly, in factory insurance, most of the coverage, earlier, was only for tangible risks (physical property). There is a significant cover-age on intangible risks now.

Are there other new-age products?

Garg: Today, we have a product which is insuring corporates in mergers and acquisitions. It's a first world product that we are seeing in India now. Similarly, we have a product which provides coverage for an initial public offering (IPO) for any corporate which goes for public listing. In the US, there are products for things like vacation cancellations. Its not that we cannot do such products but the market for such kinds of products in India still seems to be very small. But, the way the middle class is growing, we will see such products pick up pace in India.

Dua: It is a matter of time that products like vacation cancelling will come into India. From the regulatory side, we need lighter regime on product approvals. A lot of times we get stuck.

Galati: A lot of it is do with the fact that once your economy hits a certain level of income, that is when the industry starts to take off and we are just about at that cusp now. Fundamentally, we are getting to that point now where the affordability of the large consuming middle class is increasing, so the need for protection products, risk management in retail consumers' mind is rising and that is starting to lead to innovation in products.

From the regulatory angle, what we have seen in the last two-three years is significant freeing up of product. From group side, there is the use and file method. There is discussion to the same on the retail side. So, we are get-ting into that regime and it's good that we are doing it in a step by step method

because it has brought a lot of discipline to the market. The hard part about insurance is your losses show up after 15-18 months. So, the innovation should happen in a gradual manner or else it will be disruptive which will be a huge challenge on capital and sustainability.

Dasgupta: On title insurance, we have a product out there but the take-up is really poor but it will pick up. As an industry we have to be very responsible. When we push the regulator, the regulator also worries about the consequences on the policyholders. We have to launch products in a manner which is sustainable from the policyholders' perspective and for our shareholders. While the regulator is making a lot of changes on the group side and the sandbox idea that they have talked about is a very good idea.

What we need is a much differentiated approach to different companies in the market. Within certain constraints of limits, maybe in terms of the amount of business that you write or your past track record in terms of your discipline, or the way you have conducted yourself, the regulator could gradually start becoming a bit more lenient towards a certain set of companies to allow them to experiment while they allow the sandbox for everyone.

Vaidyan: India is one of the biggest markets. Non-life insurers wrote premiums to the tune of Rs. 1.5 trillion last year and we are looking at a 20 per cent increase this year. On the other hand, life insurers have underwritten premiums to the tune of Rs 4.5 trillion. So, it's a substantial market. But the fact remains that, insurance is still a push product and it has not become a pull product yet. Innovation in products will take time but it is happening in a big way across the industry.

It's not that product innovation is not happening, it is happening in a big way. If you see on the technology front, the biggest change we saw was when the crop insurance scheme was launched. It was one of the big game-changers in the market and we will see more of such activities in the future.

India has a huge growth potential and there is room for everyone to grow. We are seeing new products are coming up and new companies are coming up and lot of intermediation is happening in the insurance space. Still, the fact remains that insurance is not as popular as banking.

TOP

Source

HEALTH INSURANCE

All 90 pvt hospitals out of ESI scheme – The Tribune – 25th March 2019

The state government has cancelled the empanelment of all 90 private hospitals with the Employees State Insurance Corporation (ESI) hospitals following complaints of alleged wrongdoing.

The decision was taken on the basis of field reports, which mentioned that ESI doctors and other employees were allegedly recklessly referring cases to private hospitals notwithstanding the fact that these institutes have specialised services as well as the infrastructure required for treatment.

Though no action has been taken so far against any senior medical officer or other staff for the "wrong referrals", the empanelment has been cancelled with immediate effect. Under the empanelment scheme, employees were allowed to avail treatment from private hospitals on the state government insurance cards.

Health Secretary Satish Chandra issued the orders for cancelling the inclusion of the private hospitals under the ESI scheme. He told The Tribune that the decision was taken on the basis of the field reports that highlighted the "reckless referrals".

"These private hospitals were empanelled with the ESI facilities as the latter then lacked staff and equipment. However, we have filled the vacancies of specialist doctors and other employees in the last few months. We have also installed necessary equipment and infrastructure for the treatment of most diseases," he said.

The 90 hospitals were empanelled in October last year. The scheme was, however, started during the previous SAD-BJP regime.

Sources in the health department said many senior medical officers had referred patients to private hospitals instead of treating them at the ESI hospitals. The state government officials inspected the records and found that despite providing the required staff and equipment, patients were being referred to private hospitals.

Sources said the government may even conduct an inquiry into some cases if there were allegations that government staff received commission for the referrals.

Reckless referrals to blame

The decision was taken on the basis of field reports, which mentioned that ESI doctors and other employees were allegedly recklessly referring cases to private hospitals notwithstanding the fact that these institutes had specialised services as well as the infrastructure required for treatment.

(The writer is Jupinderjit Singh.)

TOP

Source

Ayushman Bharat: Healthy cover - The Hindu Business Line – 25th March 2019

The mega health insurance scheme — PMJAY — announced in the 2018-19 Budget provides a health insurance cover of Rs. 5 lakh to deprived rural families and identified occupational categories of urban workers' families.

The aim is to cover 10.74 crore families (about 50 crore beneficiaries). The scheme has made notable headway since launch.

As per the latest numbers, over 16 lakh beneficiaries have been admitted in hospitals and a little over 12 lakh claims have been submitted.

The Centre has so far spent Rs. 952 crore on the scheme. Nearly 15,000 hospitals have been empanelled under PMJAY across the country, though just five States account for half the total number of empanelments. Given that the scheme was launched six months back, these numbers are no doubt encouraging.

However, it is important to keep in mind that this is not a number game. If the Centre's real intent is to provide sustainable health insurance coverage to the poor, the focus needs to shift to creating a robust system that minimises frauds, eases up processes, and incentivizes greater participation from the private sector. While the integration of Ayushman in States which already had health schemes has been smooth, in Greenfield States, there are challenges.

The other key issue is portability, which is critical, as it allows a beneficiary from one State to go to another for treatment. So far, just 8,500 cases worth Rs. 22 crore have been ported.

TOP

Source

Ayushman Bharat beneficiaries can soon access best cancer care from network of specialists - The Economic Times – 24th March 2019

Ayushman Bharat beneficiaries will soon be able to seek the best advice from a network of cancer specialists digitally linked across the country, and won't have to travel long distances to consult an expert.

The National Health Authority is in talks to partner with the National Cancer Grid which runs a "virtual tumour board" from Mumbai's Tata Memorial Hospital. The board that works through the grid, a digital network linking hospitals, deals with complex cancer cases and can make the best treatment options available to Ayushman beneficiaries.

The proposal, once implemented, will also make up for the absence of similar multi-disciplinary oncology teams in some healthcare institutions, officials said. Oncologists estimate that about a quarter of cancers diagnosed each year in India might be labelled "complex cases", where treatment is not obvious or straightforward.

"We are expecting to sign an agreement with the National Cancer Grid within 2-3 weeks. This will not only improve accessibility, but will also help us develop standard treatment protocols and guidelines for all type of cancers," Ayushman Bharat deputy CEO Dinesh Arora said.

Cancer accounts for over 30% of the total tertiary cases treated under the Pradhan Mantri Jan ArogyaYojana (PMJAY) — the health insurance arm of the government's flagship Ayushman Bharat programme, official data shows. The government has earmarked around Rs 400 crore for cancer care under the scheme.

However, the low share of cancer hospitals in the network, along with a weak portability mechanism due to many states opting to remain out of the scheme, often poses a challenge for beneficiaries to access care.

Currently, there are 1,574 hospitals with cancer treatment facilities empanelled under the scheme. Of this, merely 438 are hospitals that offer multi-modal treatment facilities, including chemotherapy and radiation.

Five states — Gujarat, Uttar Pradesh, Karnataka, Tamil Nadu, and Chhattisgarh — account for the majority share of 76% empanelled cancer hospitals, catering to most beneficiaries from across the country.

Officials say early trends also show substantial patient movement across states to access cancer care. Still, the share of portability is high only in Gujarat, which received 23% of patients from outside the state for cancer treatment. Next to Gujarat is Bihar with 10% portability share, receiving patients from Jharkhand.

Data shows that there have been around 2.20 lakh hospital admissions seeking cancer care under PMJAY so far. Of this, close to 1, 53,000 were medical oncology cases, whereas radiation oncology accounted for 44,479 cases. Rest were surgical and paediatric oncology.

With the rising incidence of cancer, officials expect the demand for cancer care to increase exponentially.

"Partnering with the National Grid will enable vetting of treatment plans from across the country by the board to ensure that patients across the country are receiving the best advice," Arora said, adding there is an urgent need to ramp up infrastructure to meet the rising demand for cancer treatment.

PMJAY aims to provide an annual health cover of Rs 5 lakh to around 50 crore beneficiaries in around 10.74 crore families. So far, 16.82 lakh hospital admissions have been recorded under the scheme. Of this, 30% are tertiary care cases accounting for 75% of the over Rs 2,200 crore authorized for hospital admissions.

(The writer, Sushmi Dey, Editor, The Economic Times.)

TOP

Source

CROP INSURANCE

Farm data fudged to claim crop insurance – The Times of India – 28th March 2019

The state government has found major irregularities in the area under crop insurance for this year's Rabi or winter crop season. While the total area under cultivation for this year's Rabi or winter crop season. While the total area under cultivation for this Rabi season across the state is 33.81 lakh hectares, the area under crop insurance is much higher—nearly 45 lakh hectares.

State officials said the anomaly points to large-scale fudging of agriculture-related data, which according to them is the result of systemic failure.

In 2016, the National Agriculture Insurance Scheme was replaced by the Pradhan Mantri Fasal Bima Yojana (PMFBY), which offers better coverage and includes losses due to drought, floods, pest attack and even post-harvest losses. The average area insured in the Rabi season in the state is around 10-12 lakh hectares. However, in 2015-16, a year of severe drought, the area under Rabi crops that was insured was 24.55 lakh hectares. Rabi is a far smaller season than the kharif, and only a few crops are notified under the scheme.

According to the PMFBY scheme, the farmer has to pay just 2% of the premium amount irrespective of the crop he has sown. The remaining premium amount is shared equally by the state and the Centre.
Officials said the average area available for cultivation in Maharashtra in the Rabi season is 56.93 lakh hectares. Because of poor rainfall this time, a large part of this area has been left barren. "So a large number of these cases are bogus. They have either insured land that is not sown on, or have inflated the area under sowing, or have sown multiple crops on the same land and taken insurance for all of these separately," an official said.

The official said an investigation has been launched into the entire scheme. "Every year, in some area or the other, there are cases where area under insurance is oddly higher than the average or sometimes even more than the area under cultivation. But this time around, this is being done on a scale that has not been seen before," the official noted.

Officials said they suspect that local-level officers are running this racket in nexus with farmers. According to norms, a farmer has to get a crop certificate from the local revenue official (talathi) stating the area under cultivation and under which crop or crops, before he can get the crop insured. The premium has to be paid in any of the banks authorized by the insurance company.

The certificate given by the talathi is the final one used to provide insurance, and it is in these certificates that the inflated or bogus entries have been made, officials said. It is assumed that the talathi visits every farm for inspection and then hands out these certificates. However, officials said that is often not done.

Also, a talathi has over 1,000 hectares of land under him, and as he issues these certificates manually to farmers, it is impossible for him to keep track of how many certificates a farmer has taken or if the farmer is inflating the area.

In 2015, state officials had found that nearly 15,000 farmers in Beed had claimed bogus or inflated insurance amounts worth Rs 58 crore. The entire amount was recalled by the state government and in some cases, police cases were also filed.

(The writer is Bhavika Jain.)

TOP

Source

In poll season, govt fast-tracks farm insurance payments, makes mechanism more user friendly - The Economic Times – 28th March 2019

The government has fast-tracked insurance payments to farmers and made the mechanism more user-friendly and transparent by ensuring there is no arbitrary rejection of claims and facilitating interaction with farmers in local languages.

In some of the major agricultural states such as Uttar Pradesh, Rajasthan and Gujarat, insurance companies have already settled 90 per cent of claims against losses on last year's kharif, or summer-sown, crops that are harvested in winter.

Ahead of the general elections, in which political parties are actively wooing rural voters, the government is going all out with farm-oriented steps such as the PM-KISAN scheme that pays small and marginal farmers Rs 6,000 a year, and higher support prices, but rival parties say much more is needed to tackle rural distress. The Insurance Regulatory and Development Authority (IRDAI) has called for timely settlement of claims and clear responses to farmers.

"Companies should put in place a robust system to register all requests of individual loss assessment. Where a request of individual loss assessment is rejected, a written letter mentioning a reason should be sent to insured," an Irda official said on condition of anonymity.

The insurance regulator has also asked insurers to ensure their call centres provide callers an option to access information in vernacular languages, besides Hindi and English.

"They should also provide crop-related detail on websites in vernacular languages so that farmers can understand the terms and conditions in a better way. The beneficiaries should understand claim procedures before they get enrolled," said the official.

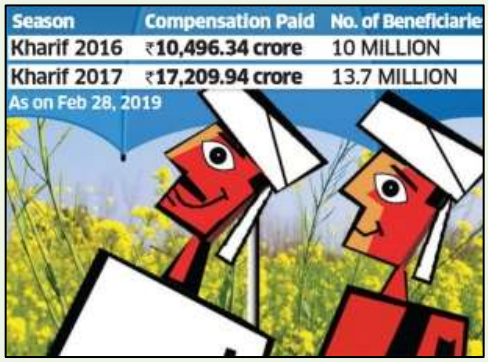
In September last year, the government had modified the Pradhan Mantri Fasal Bima Yojana (PMFBY) to expedite the claims process for crop losses.

The government had imposed 12 per cent penalty on insurance companies for delayed settlements if a payment was not made within two months of the prescribed cut-off date. "For Kharif 2018, insurers have settled more than 90 per cent claims for crop losses in several states, including Uttar Pradesh, Rajasthan and Gujarat. Filing of claims and settlement is still underway," the official said.

The kharif season starts in June and continues till November. "If there is any report of crop loss or damage, it is first assessed by a team appointed by an insurer. This is followed by claim settlement, which takes a couple of months," said a senior official.

The process of claim settlement is cumbersome and depends on the response of state governments. Settlement may take eight months to a year, depending on the nature of the claim.

"If data is processed quickly, claim settlement becomes swift. In the past couple of months, a lot of digitization has taken place that has made the process easier and faster. This year, claim settlement is faster than in the previous years," said Jatin Singh, founder of private weather forecaster Sky met, which also provides crop insurance.



For Kharif 2018, out of Rs 643 crore of claims received from all states under PMFBY, companies have paid Rs 385 crore, as per February data.

For 2016 season, more than 10 million farmers were paid a compensation of Rs 10,496.34 crore while the premium collected was Rs 16,317.79 crore. For the subsequent season, more than 13.7 million farmers were paid a compensation of Rs 17,209.94 crore while the total premium collected was Rs 19,767.64 crore.

"For Kharif 2018, insurers received a total premium of Rs 19,601 crore. Claims are being processed, but would be much higher as some parts of Maharashtra and Gujarat faced drought-like conditions and assessment of crop loss is underway," said a senior official in the agriculture department.

(The writer is Rituraj Tiwari, Editor, The Economic Times)

TOP

Source

Irdai asks insures for easy crop insurance claim settlement, use of vernacular language – Business Standard – 25th March 2019

The general insurers will have to provide details about crop insurance claims to farmers in vernacular languages, apart from Hindi and English, regulator Irdai has said.

The Insurance Regulatory and Development Authority of India (Irdai) said it has been receiving various complaints and suggestions in respect of crop insurance claims.

Irdai, in a circular, said there is a need for effective implementation of crop insurance schemes.

Insurance companies should put in place a robust system to register all the requests of individual's loss assessment, and if an individual loss assessment is rejected, a written rejection letter mentioning the reason should be sent to insured, Irdai said.

"Insurers should ensure that all call centres/toll-free numbers responses should be available in state's official language other than Hindi and English. Websites of insurers should disclose crop insurance related details in the vernacular language for the benefit of farmers," it said.

Among others, widespread awareness programmes should be conducted for educating farmers on scheme guidelines, claim settlement process and grievance redressal process, it further said.

TOP

Source

PM Fasal Bima Yojana: Low yield - The Hindu Business Line – 25th March 2019

Launched in February 2016, the Pradhan MantriFasalBimaYojana (PMFBY) addressed problems in the previous crop insurance schemes. It removed the cap on premium and offered higher coverage for risks. It also heavily subsidised the premium, charging only 2 per cent (of the sum insured) to farmers.

Further, it covered localised calamities such as landslides affecting isolated farms, post-harvest losses and losses caused by inclement weather that prevented sowing. But despite being better than the old schemes in many ways, PMFBY has numerous loopholes in the scheme which are being exploited by insurers and others. For every season, the government floats fresh bids to identify the insurer for crops in a particular region.

The insurer is therefore, dis-incentivised from building infrastructure or recruiting staff to spread awareness or attempt to address users' grievances. Farmers are not even issued a policy document that they can use to claim their dues.

The current crop-loss assessment process also calls for a lot of improvement. Even though the scheme guidelines require insurance companies to use remote-sensing technology and mobile applications in crop-cutting experiments (CCEs), not many do so. In its first year (2016-17), the number of farmers covered under PMFBY was 5.77 crore, up from 77 lakh under the Modified National Agricultural Insurance Scheme in the previous year. But in 2017-18, the number fell to 4.87 crore. Also, a large number of claims remain unsettled.

TOP

Source

Honour crop insurance claims: IRDAI – The Times of India – 22nd March 2019

The insurance regulator has issued circular urging insurers to honour claims arising from crop insurance. The two mass government insurance schemes, the Pradhan MantriFasalBimaYojana (PMFBY) and Restructured Weather Based Crop Insurance Scheme (RWBCIS), cover a higher number of farmers. But large-scale coverage has also resulted in higher claims from the sector.

The regulator IRDAI has instructed insurance companies to meet with various stakeholders and ensure there is adequate representation from all sides before rejecting claims. "It is the election season, so it is to everyone's interests if the government schemes are seen as benefiting farmers," said an official with a public sector insurer who did not want to be named.

For the kharif 2016, rabi 2016-17 and kharif 2017 seasons, the total premium collected by 18 insurance companies was Rs 42,114 crore, while Rs.32,912 crore has been paid out in claims. IRDAI's annual report for 2017-18 shows that 4.7 crore farmers paid Rs 25,292 crore in cumulative premium, while the claims were Rs 26,051 crore. For the insurance industry, it is unhealthy if the amount of claims is higher than the premium they collect. Despite a fairly decent harvest this fiscal, insurers continue to face high claims, said industry sources.

IRDAI on Wednesday instructed insurance companies to ensure there is "proper representation in stakeholder meetings relating to crop insurance, with deputation of senior level officials with required decision making power to attend them."

IRDAI also instructed insurers to appoint designated authorised persons for each allocated cluster (crop insurance is usually a collective insurance for all farmers from a certain region and claims get accepted or rejected at a collective level and not on an individual farm-to-farm basis). "This designated person should be a senior level permanent employee of the company having sufficient decision making powers for smooth implementation," said IRDAI.

IRDAI also instructed insurance companies to coordinate their efforts with the state governments, run awareness programmes for PMFBY and upload data on the National Crop lnsurance Portal with the help of the partner banks. "In case of an individual loss assessment request, companies should honour the request. In case of rejection the same should be communicated to the individual in vernacular language," said IRDAI.

(The writer is Rachel Chitra)

TOP

Source

MOTOR INSURANCE

Irdai keeps third party motor insurance rates unchanged for new fiscal - The Economic Times – 28th March 2019

In what has come as relief for motor insurance holders, annual premium rates increase for third party motor insurance policies have been put on hold for the next financial year for now.

The insurance regulator today said that insurers will continue to charge the rates currently being charged for Motor Third Party Liability Insurance Cover from April 1, 2019 until further orders. The annual increase depends on the vehicle type and engine capacity and it goes up by 10-20% every year. Third party insurance policies are mandatory by law. It pays for financial liabilities borne by vehicle owner in case of mishap. The insurance regulator has been raising insurance premium so that the prices are actuarially at par with the loss ratio of the industry.

Income from selling comprehensive motor insurance has been flat for the financial year partly due to adventurous business practices adopted by insurance companies in implementing motor insurance service provider norms. Also, Supreme Court mandated long term third party motor insurance products of three years for cars and five years products for two wheelers, leading to premium increase of 2-5 times from August 1, 2018.

Last year Irdai had reduced third party motor insurance rates for cars not excessing 1000 cc engine while raised for higher engine capacity vehicles. Also for bikes, the rates were raised.

TOP

Source

Now, auto dealers selling insurance without licence to be penalised – Moneycontrol – 27th March 2019

Auto dealers who sell motor insurance policies to people without a valid Motor Insurance Service Provider (MISP) licence could now be penalised.

Insurance Regulatory and Development Authority of India (IRDAI) is cracking down on auto dealers that do not register. The penalty could be up to Rs five lakh.

This will be applicable to all dealers selling motor insurance at the time of purchase of a vehicle. Motor third-party insurance is mandatory for all vehicles while the own damage component is optional. Most dealers typically sell a comprehensive insurance package that includes third-party and own damage coverage.

“There are still many dealers who are selling products without proper registration. Penal action will be taken against such entities after inspections,” said a senior official.

Third party insurance provides coverage against liabilities of vehicle owners involved in accidents. Own damage insurance covers the vehicle against any external damages.

There are a total of 25,000 dealerships in India and an additional 15,000 dealers operating in the market.

IRDAI will also be sending a communication to the dealerships and individual dealers discouraging sale through unauthorized means.

IRDAI had earlier said no MISP or insurance intermediary can enter into an agreement with the Original Equipment Manufacturers (OEMs) that has influence or bearing on the sale of motor insurance policies.

While in the past, there were multiple instances of Original Equipment Manufacturers (OEMs) dictating terms to dealers on the insurance being sold, this will now be under control. Having a MISP registration will mean that these entities will be forced to offer an option of all insurance companies' products to customers.

Apart from malpractices like dealers overcharging customers for insurance and passing on lesser premiums to the insurers, some companies had also complained of anti-competitive practices.

Sources said at least 5 percent of dealers have been found offering single company insurance to customers leaving little choice for customers during vehicle purchase.

(The writer is M Saraswathy.)

TOP

Source

7 out of 10 people buy motor insurance after being caught by traffic police; What should you do to avoid it? – Financial Express – 27th March 2019

The Insurance Regulatory and Development Authority (Irdai) has been introducing new rules and regulations since last year, portraying the need for buying a motor insurance policy. IRDAI recently unbundled the compulsory personal accident cover (CPA) and allowed the issuance of standalone policies. The Supreme Court also made it mandatory for new cars, bikes, and scooters to have long-tenure third-party insurance. Now it has become imperative to have a motor insurance policy with a vehicle. However, most vehicles on the road still run without insurance. A recent report by COCO by DHFL General Insurance has stated that 7 in every 10 people have claimed to buy insurance after being caught by the traffic police.

The data states around 40 per cent of respondents did not renew their car insurance policy, even after being caught by the traffic police, from metros like Delhi, Bangalore, and Mumbai. The reports further stated 70 per cent respondents prefer the online route to buy car insurance. Experts suggest while opting for an insurance cover, policyholders should not only look at the price or the discount offered but also the brand, coverage offered and add-ons.

COCO Barometer, an initiative by COCO by DHFL General Insurance, was introduced to understand consumer behavior while purchasing car insurance among Indians. The report stated that 26 per cent policyholders had a lapsed policy, and claimed that their insurance company failed to remind them about the policy renewal or they just forgot to renew it on time. It was also found that the cause for the lapse of a policy was because people thought that paying the fine is cheaper than buying insurance. Experts suggest consumers are unaware of the fact that fines cost much more than an insurance policy.

If you are planning to opt for a motor insurance policy, these are the things you should keep in mind:

Third-party Insurance cover – Broadly there are two types of insurance cover: comprehensive car insurance policy and the standalone third-party liability insurance. As per the Indian Road Safety Act and Indian Motor Vehicles Act, third party insurance is mandatory. Third party insurance essentially, covers any property damage, injury or death caused to any third party. The third party could be drivers of either of the vehicles, non-hired passengers in the car, passengers in the other vehicle, or pedestrians.

Additionally, the COCO Barometer also revealed that 'third-party only' was the least preferred policy for car insurance.

No-claim Bonus (NCB) – The insured get NCB if they don't make small claims for minor accidents under their policy. NCB can go as high as 50 per cent for 5 claim-free years, though it varies from company to company. However, if you make a claim in between, the no-claim bonus is reset to zero which again leads to paying a higher insurance premium.

Insured Declared Value (IDV) – At the time of renewal, the insured declared value (IDV) and the premium the policyholder pays is determined. Experts suggest as this depends on the age of the vehicle, one should set the correct 'vehicle value' on which the policy is bought. IDV is calculated basis on how many years the vehicle has been used and depreciation which is applied to the ex-showroom price for vehicles up to five years old. The market value is taken as the IDV, for vehicles older than 5 years.

Add-ons – Various add-ons can also be opted by the policyholder, apart from the basic cover. Zero depreciation add-ons are the most popular along with 'engine protector' and 'personal accident for owner'. The zero depreciation add-on helps the insured avoid paying a higher premium in the long run. However, note that add-ons also increase the premium when added to a regular motor cover.

Buy online – If you are well versed with the product, you can opt to buy a policy online. If policyholders know a policy well that they are buying, or are comfortable in understanding the product, they can buy the policy online from the insurer's website. Experts suggest most companies offer competitive prices on their own website.

(The writer is Priyadarshini Maji.)

TOP

Source

Policy bazaar expects motor insurance policies to drive growth - The Hindu Business Line – 26th March 2019

Online insurance marketplace Policy bazaar is expecting to more than double the sale of motor insurance policies, including private cars and two-wheelers, in FY20.

According to Sajja Praveen Chowdary, Head, Motor Insurance, Policy bazaar, increasing awareness among consumers about the ease of online purchase and claims settlement will be the key growth driver.

The company, which sold close to 11 lakh insurance policies for private vehicles in 2018-19, is expecting to sell around 22 lakh next year. The number of two-wheeler policies sold in FY19, which is likely to be close to 21 lakh, is expected to grow to 45 lakh in 2019-20.

Online insurance marketplace Policy bazaar is expecting to more than double the sale of motor insurance policies, including private cars and two-wheelers, in FY20.

According to Sajja Praveen Chowdary, Head, Motor Insurance, Policy bazaar, increasing awareness among consumers about the ease of online purchase and claims settlement will be the key growth driver.

The company, which sold close to 11 lakh insurance policies for private vehicles in 2018-19, is expecting to sell around 22 lakh next year. The number of two-wheeler policies sold in FY19, which is likely to be close to 21 lakh, is expected to grow to 45 lakh in 2019-20.

"In 2017-18, we sold close to 5.7 lakh policies for cars and around 10 lakh two-wheeler policies. While the sale of car policies has grown by more than 90 per cent, sale of two-wheelers has grown by nearly 110 per cent this year. We expect to double this next year," Chowdary told *BusinessLine.*

However, it is interesting to note that less than 1 per cent of the total number of policies sold is for first-time car buyers.

Of the 11 lakh policies for private vehicles sold by the company, only around 6,500 were bought by consumers purchasing new cars. This is primarily because motor dealers tend to package the car and policy payment, leaving little choice to consumers to decide on the policy or the insurer.

"We are trying to make consumers more aware of the regulations, and are planning to come up with an educational series to create awareness. We will come up with an online campaign soon," he said.

Online purchases to grow

Online purchase currently accounts for less than 10 per cent of the total motor insurance sold in India. Close to 2.2 crore policies for private vehicles were sold in 2018-19, but only around 19.5 lakh policies were sold through online channels. Of this, Policy bazaar's share is close to 11 lakh policies.

But the share of online sales is likely to grow. It has already grown from less than 5 per cent in 2017-18 to close to 10 per cent in FY19. Simple processing and claims settlement will aid growth in online sales, he said.

Policy bazaar, for instance, has launched an exclusive 'Cashless Assurance' feature for customers to help them at the time of claims. The feature will allow customers to opt for cashless approvals on claims across all garages across the country within a matter of a few hours. In the past, this serivce was available only through select insurer network garages.

(The writer is Shoba Roy.)

Source

TOP

SURVEY & REPORTS

Health insurance doesn't provide financial risk protection to poor, says study – Mint – 27th March 2019

There is a need for government's ambitious scheme Ayushman Bharat- Prime Minister's Jan Aarogya Yojana (AB-PMJAY) to re-engineer the data systems for a more robust implication as health insurance schemes have not been fruitful in giving financial risk protection to poor families in the past, a latest study has pointed out.

The study titled--Role of insurance in determining utilization of healthcare and financial risk protection in India—published in the latest issue of PLOS ONE journal has concluded that "Health insurance in its present form does not seem to provide requisite improvement in access to care or financial risk protection."

The study done by School of Public Health, Post Graduate Institute of Medical Education and Research (PGIMER), Chandigarh, Health Policy Research Unit, Institute of Economic Growth, and Indian Institute of Public Health has comprehensively reviewed the past health schemes of the government for achieving the universal health coverage that has become a policy goal in most developing economies.

The researchers assessed the association of health insurance schemes in general, and RSBY (Rashtriya SwasthyaBimaYojana) (National Health Insurance Scheme) in particular, on extent and pattern of healthcare utilization. Researchers also assessed the relationship of health insurance and RSBY on out-of-pocket (OOP) expenditures and financial risk protection (FRP). The researchers analyzed 12134 households and 62335 individuals in Haryana, Gujarat and Uttar Pradesh state.

"We found a statistically significant difference among the insured and non-insured; as well as among the RSBY enrolled and non-RSBY enrolled bottom 2 poorest quintiles–in terms of either rates of reporting illness, hospitalization or the extent to which public sector was used for hospitalization. Surprisingly, those enrolled under RSBY had a significantly higher odds of facing catastrophic health expenditures," said Shankar Prinja, author of the study.

Mean OOP expenditures for outpatient care among insured and uninsured were Rs961 and Rs840 and Rs32573 and Rs24788 for an episode of hospitalization respectively. According to the study findings, the prevalence of catastrophic health expenditure for hospitalization was 28% and 26% among the insured and uninsured population respectively.

"Moving over the rhetoric for the need for universal health coverage, several policy discourses in India currently focus on 'how' to achieve this. The question of whether to go via the supply-side funded public sector route or using demand side financing mechanisms such as recently introduced publicly financed health insurance schemes becomes inevitable," said Prinja.

Researchers argued that it is imperative to evaluate the existing schemes in terms of their impact on increasing access to healthcare utilization and providing financial risk protection to targeted groups. The extent of evidence so far, especially for financial risk protection, is inadequate. Moreover, the direction of findings is ambiguous, the study said. Centre last year launched the AB-PMJAY that aims to cover bottom 40% of the population, based on socio economic caste census, with an insurance coverage of Rs up to Rs5 lakh for hospitalization. The scheme is being looked as a tool to achieve the universal health coverage.

"Our study findings hold significant importance for future research which may be done in the context of Government of India's Ayushman Bharat Prime Minister's Jan Aarogya Yojana. As the scheme is still in its early implementation phase, there is a need to re-engineer the data systems such that such indications of self-selection are derived from routine enrolment data," said Prinja. "Further, researchers involved in doing interim and end-term impact evaluations should consider introducing designs such that more robust control population is selected so that causal implications are more robust," he said.

(The writer is Neetu Chandra Sharma.)

TOP

Source

How insurance companies fared in the last 10 months – Financial express – 21st March 2019

Gross direct premium collection of non-life insurance companies grew 13.43% between April 2018 and February 2019. General insurers received premiums of Rs 1.52 lakh crore during the period, against Rs 1.34 lakh crore in the previous financial year. Officials in the industry say the growth mostly came from health, motor insurance and personal accident insurance.

According to the data from Insurance Regulatory and Development Authority of India (Irdai), New India Assurance continued its dominant position with market share of around 14.04% and growth of 5.82% in premiums. Other public sector insurers such as United Indian Insurance and National Insurance Company saw negative growth in the period under review.

Oriental Insurance registered highest growth of 14.36% among four public sector insurance companies. All the four public sector insurers have a combined market share of 40.02%.

Senior officials in the insurance industry said, "Growth in health insurance has remained strong and we, in the past few months, have witnessed public sector insurers increasing the price in the loss-making group insurance plans. Even growth has been positive on aviation and personal accident policies. However, growth from traditional lines of business such as engineering and fire insurance has been lower compared to other category." Currently, health and motor insurance constitute around 64.7% of the business.

Gross direct premium underwritten by top 10 non-life insurers between April 2018 and February 2019

(₹ crore) As on:	Feb 28, 2018	Feb 28, 2019	Growth (%)
The New India Assurance	20,185	21,360	5.82
United India Insurance	15,338	14,797	-3.53
ICICI Lombard General Insurance	11,501	13,589	18.15
National Insurance	14,605	13,031	-10.77
The Oriental Insurance	10,213	11,679	14.36
Bajaj Allianz General Insurance	8,599	10,038	16.73
HDFC Ergo General insurance	6,638	7,884	18.78
Tata AIG General Insurance	4,872	7,079	45.28
IFFCO Tokio General Insurance	4,627	6,095	31.73
Reliance General Insurance	4,645	5,679	22.26

Source: Irdai

Private players like Bharti AXA General Insurance, SBI General Insurance and Tata AIG General Insurance saw high double-digit growth. Among private insurers, ICICI Lombard General Insurance had market share of 8.93% and saw gross direct premium underwritten at `13,588.79 crore in the April-February period, against `11,501.23 crore in the same period last year, a growth of 18.5%.

Apart from general insurance, standalone health insurance companies also saw a surge in their premium at 40% in the period of April to February.

Standalone health insurers have seen an impressive growth so far this year, with Aditya Birla Health Insurance and Religare Health Insurance having grown 101.89% and 75.04%, respectively. Special public sector insurers like Agriculture Insurance Company of India and Export Credit Guaranteed Corporation of India saw growth of (-) 3.67% and 1.35%, respectively, Irdai data showed.

TOP

Source

INSURANCE CASES

In likely first, Supreme Court uses Met data to reject contractor's insurance claim – The Times of India – 29th March 2019

Meteorological data is beneficial for many sectors, including agriculture and aviation, but the Supreme Court used such data probably for the first time to reject a contractor's insurance claim for damage to roads by "heavy rains".

Mahavir Road and Infrastructure Pvt Ltd had undertaken a contract for resurfacing of roads in Nashik in 2007. Since the work was covered under an insurance policy, the contractor filed a claim for compensation with the insurance company for damage to the roads because of "heavy rains" between June 25 and July 5, 2007.

The contractor intimated the insurance company that "due to heavy rains on June 29, 2007, the roads were inundated and the top layer had been washed out". The insurer rejected the claim on the ground that damage was caused due to defective workmanship and material and because of failure to provide an alternative route for traffic, which continued on the newly laid roads.

According to the surveyor employed by the insurer to examine the claim, "there was no evidence of any damage on account of flood water and only surface damage was found. The data of the meteorological department indicated minimal rains on the alleged dates of damage".

A bench of Justices DY Chandrachud and Hemant Gupta noted that the contractor claimed there was abnormal rainfall and water logging between June 25 and July 5, 2007. Later, it claimed that heavy rains on June 29, 2007, inundated the roads and the top layer got washed away. Referring to the meteorological data, as relied upon by the National Consumer Disputes Redressal Commission (NCDRC) while rejecting the claim, the SC bench said there was no rain at all on June 29 or even on June 30. Rainfall from June 25 to July 1 was nil or nominal.

Relying on the surveyor's report and the NCDRC findings, the bench said, "In order to establish that this was not a case involving normal wear and tear, the firm sought to rely upon what it described as abnormal rainfall and water logging. The evidence on record (meteorological data) did not sustain the basis of such a claim. In this view of the matter and for the reasons we have indicated, we are unable to come to the conclusion that the order passed by NCDRC suffered from any error."

(The writer is Dhananjay Mahapatra.)

TOP

Source

Farmers in CM's village denied claim under insurance scheme - The Tribune – 26th March 2019

A number of farmers of Baniyani village in Rohtak district, the native village of Haryana Chief Minister Manohar Lal Khattar, have been denied insurance claims under the Pradhan MantriFasalBimaYojana (PMFBY) despite having suffered heavy crop losses.

Several farmers of the village have alleged that money had been deducted from their bank accounts in the name of crop insurance premium, but the insurance company officials say they have not received the said amount.

The bank authorities and the insurance company officials are blaming each other for the lapse, while the affected farmers are running from pillar to post to get their dues. "When we approached the insurance company, we were told that our crop insurance premium had not been paid. We were shocked as money had been deducted from our bank accounts in the name of insurance premium. We approached the local bank officials, but did not receive any satisfactory response from them," said Ajay Thakur, an affected farmer from Baniyani village.

Nagendra HS, deputy general manager of Corporation Bank, said the amount deducted from farmers' accounts had been sent to the insurance company to be deposited as premium, but it could not be accounted for at the company level due to some technicalities/communication gap.

Preet Singh, president of the district unit of the All-India Kisan Sabha, said a number of hapless farmers were being harassed as they had been denied insurance claims despite the premium amount having being deducted from their bank accounts.

He said a delegation of the affected farmers had also met the local Deputy Commissioner and apprised him of their predicament, adding that he had assured them that he would look into the matter and do the needful.

On being contacted, Rohtak Deputy Commissioner Yash Garg said the affected farmers had met him and conveyed their grievance. He said he had ordered an inquiry into the matter and asked the Additional Deputy Commissioner to submit a report in this regard.

Money deducted

- Several farmers of Baniyani village in Rohtak district, the native village of Chief Minister Manohar Lal Khattar, have alleged that money had been deducted from their bank accounts in the name of crop insurance premium, but the insurance company officials say they have not received the said amount
- The bank authorities and the insurance company officials are blaming each other for the lapse, while the affected farmers are running from pillar to post to get their dues

(The writer is Sunit Dhawan, Tribune News Service.)

TOP

Source

Insurance firm asked to pay full claim to heart patient – The Times of India – 25th March 2019

Jitendra Nana lal Rupani had a mediclaim policy from the National Insurance. On August 16, 2013, Rupani developed acute breathlessness. He was taken to Kohinoor Hospital in Kurla, where an angiography was performed followed by a coronary bypass surgery on August 19. The hospital bill came to 5, 25,089. Rupani's policy was for Rs 3 lakhs with a cumulative bonus of 1.5 lakh; hence he lodged a claim for reimbursement of Rs4.5 lakh. Yet, the insurer sanctioned only 3, 70,800.

Rupani filed a complaint before the South Mumbai District Forum which ordered the insurance company to pay the balance 79,200 with 9% interest from December 23, 2013 till date of payment. In addition, compensation of 5,000 and litigation costs of 5,000 were also awarded.

National Insurance challenged this order before the Maharashtra State Commission. It argued the deduction of 79,200 was due to capping of limits under the policy. The insurer contended Rupani had accepted this amount in full and final settlement without protest, so the complaint was not maintainable. Rupani's lawyer, Binoy Gupta, argued the policy was taken in 2004, while capping was introduced in 2007, so it would not apply to existing policy holders. The insurer was unable to show the change in the policy terms had been communicated and that Rupani had consented to the revised policy conditions.

Relying on the Supreme Court's interpretation in Biman Krishna Bose v/s United India Insurance, the State Commission concurred with Binoy Gupta's submission, and held the insurance company was not entitled to unilaterally make any changes at the time of renewal of the policy. It held a renewed policy would have to be on identical terms and conditions as those governing the original contract of insurance.

By its order of March 20, 2019 delivered by A K Zade for the Bench presided over by justice A P Bhangale, the Maharashtra State Commission concluded that capping could not be made retrospectively applicable to old policies. It dismissed the appeal and upheld the Forum's order directing National Insurance to pay the balance 79,200 along with interest, compensation and costs.

(The author, Mr. Jehangir B. Gai is a consumer activist.)

TOP

Source

Mishap victim's family to get Rs 12.8 lakh payout – The Times of India – 24th March 2019

Motor Accidents Claims Tribunal ordered an insurance company to pay Rs 12.8 lakh to the family of a priest who was knocked down by a truck near Kalyan in 2017.

MACT member and district judge R N Rokade directed United India Insurance Co Ltd to make the payment and recover it later from the truck owner, Sudhakar Khilari, of Junnar, Pune, against whom the order was passed ex parte as he did not appear despite notices.

Three family members of Uday Joshi, then 32, had pleaded that the untimely death of the earning member had cast a shadow of gloom and sought compensation. The legal team told the tribunal that on October 7, 2017, at 12.30am, he was riding a bike on the Kalyan-Murbad road, in Varap village, when the truck collided. He fell, sustained multiple injuries, and died. They said the accident was due to the driver's negligence.

TOP

Source

People run from pillar to post to get insurance claim: Delhi consumer commission - Deccan Chronicle – 20th March 2019

The Delhi state consumer commission has observed that claimants are made to run from pillar to post to get medical reimbursement from insurance companies and it would be "extremely tenuous" to expect a layman to read each and every clause of an insurance document before signing it.

On most occasions, a person who intends to obtain insurance has no choice to say no to a clause in an insurance policy, the commission said.

It said medical insurance is primarily obtained for the purpose of unforeseen medical conditions and so long as there has been no fraud at the time of obtaining insurance, policies ought to be honoured.

The commission's observations came when directing HDFC Standard Life Insurance Corporation Ltd to allow a claim of Rs 50 lakh, which was rejected by the company on the grounds of pre-existing diseases and non-furnishing of occupation details by the claimant.

The complainant Faridabad resident Virpal Nagar, brother of the deceased Pratap Singh had accused the firm of resorting to unfair trade practice and deficiency of service.

According to the complaint, Singh had taken an HDFC term insurance policy of Rs 50 lakh on December 5, 2008 for a term period of 20 years.

After Singh's death in 2009, his nominee Nagar filed a claim with the insurance firm.

However, the firm rejected the claim on April 19, 2010, citing grounds such as non-disclosure of asthma and paralysis Singh was suffering from before filing up the application and regarding details about his occupation.

The commission's member Anil Srivastava said he is of the view that the grounds to reject the claim "cannot sustain".

"It would be extremely tenuous to expect a layman to read each and every clause of an insurance document before signing it... It is usual to see claimants running from pillar to post in order to get medical reimbursement from insurance companies. This case is no different," it said.

"...The complaint deserves to be accepted and the grounds taken by the OPs (opposite party) since not sustainable are sequentially rejected. The core question that remains to be answered is as to how the

complaint can be compensated for the harassment caused to him at the hands of the OPs," Srivastava said.

The commission asked the firm to allow the policy claim within two months to Nagar.

The commission referred to one of its previous orders in which it had said that any disease for which one has never been hospitalised or undergone operation is not a pre-existing disease.

"If a person conceals the factum of his hospitalisation for a particular disease or operation undergone by him in the near proximity of obtaining the insurance policy, only then it can be termed a concealment of factum of disease," the tribunal said.

TOP

Source

INTERVIEW

Adventurous business practices can hurt companies: New India Assurance CMD Atul Sahai - The Economic Times- 26th March 2019

New India Assurance chairman and managing director Atul Sahai wants to reduce costs and improve profitability by doing away with the brick-and-mortar model that state-owned insurers relied upon during pre-digital age to grow. In an interview with ET, he details his vision for the business. Edited excerpts:

Your business growth is lower at 5% when the industry is growing at 13%. How do you explain that?
One thing clear is that you want to write good business. I am not going to focus on topline and ignore the bottom-line. We want to be selective but having said that there have been challenges in the motor insurance business. We have run into some huge challenges. We are devising ways to tackle the challenges. There was some area correction adjustment factor because of which we made huge refunds in crop insurance business. We are constantly growing at 13% in the past two-three months.

So what went wrong with motor insurance?
Growth in motor is possibly at the lowest level of 0.4%. It is going to take another six-seven months before motor insurance sales will stabilize. I understand that some companies are adopting adventurous ways of doing business. I don't think any general insurance company can absorb losses that will be interwoven with this approach. The regulator has kept the limits of expenses wisely.

Underwriting profit is key to general insurers. When would New India Assurance report underwriting profit?
For New India Assurance, I am sanguine that it should happen in three to four years. When we talk about underwriting profit, we should know that our funds are divided into shareholders' fund and policyholders' fund. The investment income that accrues out of policyholders' fund belongs to policyholders. If my investment is generating 8% yield and the combined ratio is 105%, I will be very happy. This income should be considered part of underwriting performance.

Have losses in individual segments like motor, crop and health gone up in the past few quarters because of higher claims?
It is not because claims have gone up but because pricing has gone bad. There are 30 players. Nobody is at the liberty to charge what they want. They have to react to the competition.

What is your vision for New India Assurance?
It is like a five-day cricket test match. We have to be very patient. I see New India growing constantly at over 15%. Given the competition, I cannot grow at say 25% and keep combined ratio low.

We plan to bring down combined ratio to 110% by 2019-20. Combined ratio consists of management expenses, intermediary charges and claims. Our management expenses are low at 15%. Out of this, 85% is fixed in nature by way of salary, rent.

But what about intermediary expense?
Our intermediary expense is around 8-8.5%, while the industry operates at 13%. When I am in the same industry, I cannot bring it down. My vision is to automate claims settlement.

We have developed a process by which we intend to automate the claims process. About 85-90% of our claims are less than Rs 1 lakh. I can easily automate claims of Rs 50,000, which the regulator permits. If I am able to reduce claim experience by 8%, our combined ratio will come down.

What is the future of branches?
Opening up micro offices have helped in some areas. In some areas where it has not helped, we will look to consolidate them. We have identified 175 such offices that can be consolidated. This can release lot of manpower.

There are issues specific to public sector insurers like recruitment and retirement, which may not apply to others. We didn't recruit people from 1991 to 2009. Regular recruitment happened from 2010. This has created a skewed employee profile.

New India's stock price has fallen post listing and is trading at a huge discount to the offer price. You have to meet Sebi's norm of 25% public shareholding? When would next sale happen?
One thing that gives me some relief is that share prices have gone up in the last two-three months. The value at which it was issued is the first target. The intrinsic value of my share is at which it was offered.

TOP

Source

Coverage for OPD expenses still at a nascent stage - The New Indian Express – 25th March 2019

The health insurance segment has seen emergence of several new concepts, including wellness as an integrated part of the insurance offerings. Aditya Birla Health Insurance, one of the youngest players in the domain, bets on the philosophy of keeping the customer healthy and rewarding physically active customers with a 30 per cent premium payback. The basic idea is to move customers from 'mediclaim' to 'wellness', says it's CEO Mayank Bathwal.

Health insurance still ranks low on priority in the overall financial planning for most. What is the deterrent?
Health insurance industry is experiencing a robust growth over the past few years. As per IRDAI annual reports, health insurance market continues to grow over 20 per cent year-on-year during the past three financial years. Yet, India still has a low non-life insurance penetration (ratio of premium to GDP) of 0.93 per cent.

However, with increasing medical inflation and financial distress due to hospitalisation, awareness of health insurance has increased significantly over the last few years and customers have started asking for adequate coverage in the urban areas. IRDAI's standardisation guidelines have also made the scope and coverages under insurance policies easy to understand for the end customer.

Moreover, with introduction of schemes like Ayushman Bharat, both accessibility and affordability of health insurance would greatly increase in the coming years to a segment of population for whom health insurance had still not become a major focus point of overall financial planning.

Health insurance is still looked up as covering hospitalisation. How do you change that with your plan that is targeting wellness?
Health insurance in India and worldwide has predominantly evolved as a product for indemnification against hospitalisation expenses. This is the primary intent of any indemnification-based health insurance product. We have been a pioneer in bringing in the concept of wellness as an integrated part of health insurance offerings.

We have incentivised the customer in forming such healthy habits to take care of their health and, in turn, use such incentives to reduce premium payments and make other medical payments. Such kind of a structure also motivates the youth to buy insurance as generally, younger population view health insurance as an unnecessary expenditure.

What can be done about adding OPD expenses into the insurance ambit?
OPD (Out Patient Department) expenses as part of health insurance coverage is at a nascent stage of development in India. There are only few players offering such cover in some of their products.

Market is slowly evolving, and industry is coming up with innovative products covering OPD expenses including coverage for doctor visits, pharmacy bills and medical tests.

Standardisation of medical diagnostic expenses and pharmacy expenses, increase of distribution network by insurance firms to cover a large number of doctors and making the fragmented OPD ecosystem into a well regulated and standardised entity across each city and town would go a long way to ensure uptake of OPD products by the customers.

For the salaried, who may have an existing group health plan from employers, what is the advice on top-up plans and the cost for the additional cover?
For salaried people covered under an employer corporate group health insurance plan, they may go for additional top-up or super top-up cover with deductible matching the sum insured provided by the employer. Even for individuals with a personal or floater health insurance cover of Rs 5 lakh, it is cheaper to go for a Rs 20 lakh super top-up cover with Rs 5 lakh deductible, rather than a direct Rs 25 lakh cover.

One should note that claims under top-up cover is payable on breaching the deductible limit on a per event/hospitalization basis, while claims under super top-up cover is payable on breaching the deductible limit on an aggregate claim basis in a policy year. Hence, it is advisable for everyone to a have base individual cover in addition to corporate cover.

What is the kind of tax incentive available for medical insurance and how beneficial is that?
Health insurance should not be looked only through the lens of tax savings. Protection from uncertain financial expenses due to any hospitalization and adequacy of coverage should be the primary deciding factor for health insurance, while tax incentives should only be of secondary consideration.

However, the government is trying to popularize health insurance penetration in India through such tax incentives.

Below is the current structure for deductions applicable under Section 80D of Income Tax Act. Depending on the tax rates applicable for the individual, substantial savings can be made via deductions on health insurance premium.

TOP

Source

PENSION

Provident fund norms: Implications for employees leaving India – Mint – 29th March 2019

Widening the global mobility base and providing opportunities for international assignments to employees has become an essential part of almost every multinational corporation. In the last decade India has also steadily witnessed movement of Indian employees to foreign jurisdictions, either on assignments within the existing companies or in search of new employment opportunities. Understandably, movement outside India would entail undertaking various compliances in multiple jurisdictions including meeting the applicable tax, regulatory, labour and other laws.

One of the key aspects that merits attention is the impact on the social security related obligations of the outbound employee in his home country (India) and the host country to ensure that the individual's social security benefits are not impacted due to an overseas stint.

Social security framework

The social security framework in India mainly caters to the organized sector, i.e. where the workers have a direct and regular employer-employee relationship with an organization. The Employee Provident Fund and Miscellaneous Provisions Act, 1952 (EPF Act) is the main legislation which governs the provident fund, pension and deposit linked insurance schemes under its framework. The EPF Act is applicable to every organization which employs 20 or more employees and follows a contributory scheme where the employer and employee are required to make matching contribution at a specified percentage of the salary. The accumulated balance in the employee provident fund (EPF) account is portable and is transferred to the next employer. Over the years, the contributions have earned an interest of over 8% and are exempt from tax subject to certain conditions.

The accumulated balance in the EPF account can be withdrawn in three situations: (i) at the time of retirement, i.e. on or after 58 years of age, (ii) if unemployed for two months or more and (iii) in case of death before specified retirement age. A partial withdrawal is allowed for certain purposes like repayment of home loan; for purchase, construction or renovation of house; meeting wedding expenses; for medical purposes.

Therefore, it is important to understand the impact on the existing balance in the EPF account in case of an employee who moves overseas on arrangements such as deputation, secondment, short-term/ long-term assignments or on transfer or in case of a new employment altogether.

A common issue that revolves around outbound movement and social security contributions is place of payroll, i.e. implications on social security contributions when payroll is continued in the home country versus when the payroll is transferred to a host country. The same has been discussed in subsequent paragraphs.

Payroll continued in India

In cases where an employee is sent to a group company outside India on arrangements such as deputation, secondment or a short-term assignment, the employer-employee relationship with the Indian employer typically remains intact. In a scenario where an outbound employee continues to receive salary in home country (India), then he/she would be under an obligation to continue the social security contributions in India. However, in such cases the employees may also be required to start contributing to the social security schemes in the host country resulting in dual contribution.

In order to mitigate dual contributions, the Indian government has entered into bilateral social security agreements (SSA) with 18 countries which includes Australia, Canada, Japan, Korea and some of the key European countries like Germany, France, Denmark, the Netherlands, Switzerland, etc. Employees being

seconded or deputed to any of the countries with which India has an SSA, can obtain a certificate of coverage (CoC) from the EPF authorities based on which they will be exempted from social security contributions/taxes in the host countries.

Employees being sent to countries with which India does not have an SSA may need to contribute to both Indian and the host country's social security schemes.

Payroll transfer to host nations

The EPF authorities have clarified that payment of salary in India is a necessary element for determining the liability towards social security contribution in India and obtaining a CoC. If salary is not payable by an Indian establishment, the outbound employee will not be considered as an 'employee' as per the definition given in the EPF Act. Accordingly, in case of transfer of payroll, say to the employer's group company in the host country, the social security contribution in India would be discontinued. Similarly, in case where an individual moves overseas for a new employment opportunity, the social security obligations cease to exist in India.

In such a case, the outbound employee may either withdraw the accumulated amount after two months of cessation of employment in India or let the corpus stay invested. The implications under both the options are summarized below:

•Withdrawal of accumulated balance

(a) Employee has rendered less than 5 years of continuous service in India

Out of the total accumulated amount, the employer's contribution and the interest thereon would be fully taxable as salary income. The employee's contribution would be taxable to the extent of deduction, if any, claimed in earlier years. The interest earned on employee's contributions would be taxable as income from other sources in the hands of the employee. The EPF authorities pay out the accumulated amount after tax withholding at a flat rate of 10% and the employee is required to ascertain and deposit any balance tax.

(b) Employee has rendered more than 5 years of continuous service in India

The entire accumulated balance comprising of employee's contribution, employer's contribution and interest thereon shall be exempt from tax in India as per the prevailing tax laws.

•Allow the accumulated balance to stay invested

Employees who leave India on cessation of their Indian employment contract can continue to leave the corpus invested. In such a case, interest would be credited annually on the accumulated balance till the time the corpus is maintained with the authorities. It is important to note that the balance standing as on the date of exit from an organization will be fully tax-exempt if the employee had rendered more than five years of continuous service. However, as per a recent tax tribunal decision, any interest credited after leaving the Indian employer is taxable in the year of withdrawal. In case the employment period was less than five years, part of the corpus would be taxable as discussed under the 'withdrawal' option above.

FAQs

1. What is the process for withdrawal of the EPF amount?

Withdrawal can be made online (bit.ly/2HHzt98) or by filing the withdrawal form through the Indian employer. In case of the online method, it is important that the individual has an Aadhaar number in India and a Universal Account Number (UAN) provided by the employer. Alternatively, an individual may also submit the prescribed forms with the employer, a cancelled cheque leaf of the bank account for reference, and any other document that may be required to substantiate the claim. The employer is then required to attest the form and send the documents to regional provident fund office for processing the withdrawal.

2. What is the salary on which provident fund contribution is calculated?

Employer and employee each contribute 12% of the monthly pay towards provident fund. Monthly pay for this purpose comprises of the following components:

•Basic wages

•Dearness allowance (all cash payments by whatever name called paid to an employee on account of a rise in the cost of living);
•Retaining allowance; and
•Cash value of any food concession
3. Would the monthly pay be proportionately reduced in case an individual has multiple country responsibilities and spends part of his time outside India?
Provident fund contribution is calculated on the total salary payable on account of his/her employment by a covered establishment in India. This is applicable even for the responsibilities handled outside India.

(The writer is Vikas Vasal.)

TOP

Source

NPS schemes can now invest more in debt: Move aimed at improving scheme performance – The Economic Times – 28th March 2019

Changing the investment guidelines for some NPS schemes, the PFRDA has increased the limits on investments in debt securities by these schemes. This has been done to allow more flexibility for better scheme performance. "To provide flexibility to the pension funds to improve the scheme performance depending upon the market condition, it has been decided to increase the cap on Government Securities and related investments and short-term debt instruments and related investments by 5 percent each," states a Pension Fund Regulatory and Development Authority (PFRDA) circular dated March 25, 2019.

According to the circular, these changes will be effective from April 1, 2019 and will apply only to the NPS - Central Government scheme (CG), State Government scheme (SG), Corporate Central Government (CG) scheme, Lite schemes of NPS, and Atal Pension Yojana.

The cap on investment in various asset classes by the above-mentioned schemes has been revised as below:

Asset Class	Current caps on investments	Caps on investments (with effect from April 1, 2019)
Government Securities and related investments	Up to 50%	Up to 55%
Debt Instrument and related investments	Up to 45%	Up to 45%
Equity and related investments	Up to 15%	Up to 15%
Asset-backed, trust structured etc.	Up to 5%	Up to 5%
Short term debt instruments and related investments	Up to 5%	Up to 10%

Source: PFRDA Circular

This change has been done "In order to bring stability in returns over the long run and improve the performance of the scheme, the PFRDA took this initiative" official sources said.

Rating criteria for investments under NPS schemes

In a previous circular dated May 8, 2018, the PFRDA had revised the rating criteria for investments under NPS. Earlier, as per PFRDA investment guidelines for NPS, the investments under scheme/asset class C were to be made only in such securities which had minimum AA rating or equivalent from at least two credit rating agencies registered with SEBI.

As per the circular dated May 8, 2018, the development of the corporate bond market is expected to benefit the investment universe as a whole by improving the liquidity and confidence in the securities market and especially the bond market where a sizable share of NPS contributions are invested. Consequently, the PFRDA had decided to allow the above mentioned NPS schemes to invest in corporate bonds/securities which have a minimum of 'A' rating or equivalent, subject to cap on the investment

between A and AA- rated bonds to be not more than 10 percent of the overall corporate bond portfolio (Scheme/Asset class C) of the pension fund.

The circular also required the pension funds to submit a quarterly statement on the investment made in the securities which have a minimum rating of 'A' and their performance including the downgrades in this category, if any, to NPS Trust for monitoring of such investments.

(The writer is Navneet Dubey.)

TOP

Source

Amid fund crunch, EPFO shelves plan to double minimum pension – Mint – 28th March 2019

After months of deliberation, the plan to double the minimum pension for the nearly 4.5 million pensioners of the Employees' Provident Fund Organisation (EPFO) has been shelved.

An internal panel of the retirement fund manager had recommended increasing the pension for EPFO subscribers from the existing Rs 1,000 per month to Rs 2,000 per month. However, the Union labour and employment ministry has shelved the plan at least for the time being, three officials said, requesting anonymity.

"This is now on hold. We cannot go ahead as it will burden us financially," said one of the officials mentioned above. There are 6 million pensioners under the EPFO, of which nearly 4.5 million receive less than Rs 2,000 per month. An increase in the pension is likely to put an additional annual burden of Rs 1,500 crore on the government. The labour ministry, which controls EPFO, said there are two constraints—one financial and other the timing of the year. As its election time, it's not possible to demand more funding, another official said.

EPFO does not have enough surplus to double the pension on its own and needs financial support to implement the scheme which will benefit pensioners getting less than Rs 1, 000. After announcing an 8.65% interest rate for its 60 million subscribers in February for 2018-19, the surplus with the retirement fund body will be around Rs 150 crore.

"The model code of conduct came in March, but the EPFO had sought clarity from the government in January. There was no assurance from the government, whether or not they will provide the money," said the first official.

Following the suggestion of the internal empowered committee of the EPFO on doubling of pension, a cabinet note was prepared, said the first official. "As the cabinet note was prepared for action based on the recommendations, the report was not made public," he added.

The government has assured a minimum pension of Rs 3,000 per month for informal sector workers through the Pradhan Mantri Shram Yogi Maandhan (PMSYM) scheme, which was announced in the interim budget. This aims to benefit workers in the 18-40 age group, who need to contribute between Rs 55 and Rs 2, 000 per month.

As such, it is natural for formal sector pensioners, who contributed to the pension kitty of the EPFO, to get more pensions.

In the last central board meeting of the EPFO it was indicated that a fresh meeting will be called to announce the pension hike. However, this is not likely to happen anytime soon.

A labour ministry spokesperson person refused to comment on the development.

"Now it looks difficult. There is no intimation about any fresh central board of trustees (CBT) meeting taking place now," said Virjesh Upadhyay, a central board member of the EPFO and secretary general of the Bharatiya Mazdoor Sangh. "Once the elections are over and a new government is in place, the CBT may convene to take call on key issues."

A.R. Sindhu, a secretary with the Centre of Indian Trade Unions, said if the government can take a call on several populist measures, including cash benefits ahead of the elections, why could it not hike the pension of EPFO subscribers. A joint trade union charter has said that the pension payment must go up as it will benefit millions.

(The writer is Prashant K. Nanda.)

TOP

Source

NPS provides tax benefits under Section 80CCD(1), 80CCD(1B) and 80CCD(2): Have you availed all of them? - Financial Express – 27th March 2019

The National Pension System (NPS) is a market-linked deferred pension scheme that comes with several tax benefits. One can get the tax benefit not only at the time of investment but also on the partial withdrawals made during the tenure and also on the maturity amount at the vesting age.

The vesting age is the age when the annuity i.e. pension begins. The pension that one gets from the vesting age is, however, taxable in the hands of the individual as per one's tax slab in the year of receipt.

Let us look at the various tax advantages the NPS has to offer:
ON NPS CONTRIBUTIONS
Section 80 CCD (1): Under Section 80CCD (1) both salaried as well as self-employed may save tax by contributing towards NPS. However, there is a cap on the maximum amount that one may invest for tax benefits and is different for both the categories.

Section 80CCD(1) allows an employee, being an individual employed by the Central Government on or after 01.01.2004 or being an individual employed by any other employer, a deduction of an amount contributed towards NPS subject to a ceiling of Rs 1.50 lakh under Section 80CCE.

However, the deduction shall not exceed an amount equal to 10 per cent of the Basic Salary, including Dearness Allowance, but excluding all other allowance and perquisites.

In case of self-employed, the contributions up to 20 per cent of the Gross Income is deductible from the taxable income under section 80CCD (1) of the Income Tax Act, subject to a ceiling of Rs. 1.50 lakh under Section 80CCE.

80CCD (1B): As per Section 80CCD(1B), the taxpayer either employee or self-employed, is allowed a deduction on the amount contributed towards NPS up to Rs 50,000. The deduction under Section 80CCD(1B) is over and above the deduction availed under Section 80CCD (1), however, the same amount cannot be claimed both under both the sections.

Section 80CCD(2): Salaried employees also gets the tax benefit on employer contribution to his or her NPS account. The contribution made by the employer up to 10 per cent of salary (Basic plus Dearness Allowance) can be claimed as a deduction from the taxable income under Section 80CCD(2) of the Income Tax Act,1961. There is no upper cap in terms of the amount on this tax deduction. This deduction is over and above the ceiling limit of Rs 1.5 lakh provided under Section 80C and limit of Rs 50,000 under Section 80CCD(1B).

Overall, there are three important points to note here:
Firstly, As per Section 80CCE, the aggregate amount of deduction under sections 80C, 80CCC and Section 80CCD(1) cannot exceed Rs.1. 5 lakh.

Secondly, the deduction allowed under section 80 CCD(1B) is an additional deduction in respect of any amount paid in the NPS up to Rs. 50,000.

Thirdly, the contribution made by the central government or any other employer i.e. private employer to a pension scheme under section 80CCD(2) shall be excluded from the limit of Rs.1.5 lakh.

Therefore, taking together Section 80CCD(1) and Section 80CCD(1B), one may invest a maximum of Rs 2 lakh in NPS. In addition, a salaried individual can save more tax if his or her employer contributes towards the employee's NPS account.

Watch outs
Tax benefits are applicable for investments in Tier I account only. There is no tax benefit on investment towards Tier II NPS Account. However, On 6th December 2018, Union Cabinet had approved the certain new proposals one of which was to allow contribution by the Government employees under Tier-II of NPS, the benefit of Section 80C for deduction up to Rs. 1.50 lakh for the purpose of income tax, provided that there is a lock-in period of 3 years. For non-government employees, there is no such tax benefit.

TAX – ON NPS MATURITY
On the vesting age of 60, the subscriber is allowed to withdraw a maximum of 60 per cent of the corpus while pension starts on the balance 40 per cent of the corpus. The Union Cabinet had earlier approved the proposal for enhancing the tax exemption limit for lump sum withdrawal on exit to 60 per cent of the corpus. With this, the entire withdrawal will now be exempt from income tax.

TAX – ON PENSION
The amount invested in the purchase of an annuity is fully exempt from tax. The annuity i.e. the pension, however, is fully taxable in the year of receipt as income from other sources.

TAX – ON PARTIAL WITHDRAWALS IN NPS
The subscriber can partially withdraw from NPS Tier I account before the age of 60 for specified purposes. According to Budget 2017, the amount withdrawn up to 25 per cent of Subscriber contribution is exempt from tax.

An NPS example: If total corpus at the age of 60 is Rs 1 crore, then up to 60 per cent of the total corpus i. e. Rs 60 lakh, you can withdraw without paying any tax. On the remaining 40 per cent used to purchase compulsory pension, you do not pay any tax in that year. Only the annuity income that you receive in the subsequent years will be subject to income tax.

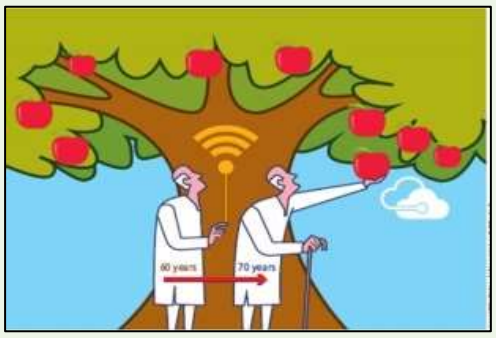
How to claim tax benefit on NPS
As an NPS Subscriber, you may submit the transaction statement as an investment proof to your employer. Alternatively, a subscriber from 'All Citizens of India' can also download the receipt of the voluntary contribution made in Tier I account for the required financial year from NPS account log-in. It can be downloaded from the submenu 'Statement of Voluntary Contribution under 'NPS' available under the main menu 'View' in NPS account log-in.

(The author is Sunil Dhawan.)

TOP

Source

National Pension System: Online contributions to get smoother – Financial Express – 27th March 2019



In order to ensure transparency for subscribers of the National Pension System (NPS), the regulator has decided that the fees and settlement time for transactions at the level of the aggregators or payment gateways and the points-of-presence (PoP) should be specifically displayed by the PoPs on their website. This has been done so that subscribers can take informed decision.

Fixing online mode

In a circular, Pension Fund Regulatory and Development Authority (PFRDA) has mentioned that PoPs are utilising the services of aggregators or payment gateways such as SBI ePay, Bill Desk, etc., for their online platforms for processing NPS contributions of subscribers. Various aggregators empanelled by the PoPs are charging different fees and also settling the transaction in different time-periods.

"It is observed that there is no uniformity in fees levied and the settlement time across the aggregators or payment gateways being used by PoPs," the circular notes. In fact, PoPs are the first point of interaction between voluntary subscribers and NPS.

The PoPs perform activities such as subscriber registration, regular contribution uploading, subscriber servicing, MIS uploading, etc. PoPs facilitate registration of subscribers for Tier I as well as Tier II account.

Tier I account is a non withdrawal account to which the subscriber will contribute to build a retirement corpus. The Tier II account is a voluntary savings facility and subscribers can withdraw their savings from this account when they wish.

Amendments to exit, withdrawals

The regulator has also amended the regulations on exits and withdrawals under NPS. In a Gazette notification last month, it has underlined that if a subscriber wants to continue and contribute in the NPS beyond the age of 60 years and up to 70 years, he can do so by giving in writing or any form specified by the regulator. Such option will have to be exercised within 15 days prior to attaining the age of 60 years or the age of superannuation.

In case of automatic or voluntary continuation beyond the age of 60 years, the subscriber can exit at any point of time from the NPS by submitting a request to NPS trust. However, the option of deferment of lump sum as well as annuity will not be permitted to such subscribers.

A pure defined contribution pension product, NPS was introduced in 2004 for government employees and, in 2009, was extended to all private sector employees. For, non-government employees, up to 75% of the contribution can be invested in equities and the rest between corporate and government debt paper. On turning 60, an investor can exit from the NPS but 40% of the pension wealth has to be utilised for purchase of an annuity.

Subscribers will have to pay the charges for central record-keeping agency, pension fund and trustee bank. For a normal NPS account, a Tier II account can also continue till the age of 70 years provided the Tier I account continues beyond 60 years age of the subscriber.

Contributions towards the Tier II account can be made using the PRAN and a subscriber can choose between equity funds, government securities and fixed income instruments. However, one does not get any tax benefit on the investment made in Tier II account as it does not have a locking period for funds which is there in case of Tier 1 account.

NPS got a big push in the 2015 Budget when the government allowed tax benefit on investment of up to `50,000 a year in NPS under Section 80CCD, which is over and above the benefit available on `1.5 lakh

under Section 80C. The following year, the finance minister made withdrawals from NPS on maturity tax-free up to 40% of the total corpus accumulated. And last year, in order to bring in parity in tax treatment for all retirement products, the government made maturity withdrawals from NPS completely tax-free. A subscriber can partially withdraw up to 25% of contribution tax-free from NPS Tier I account for specified purposes.

(The author is Saikat Neogi.)

TOP

Source

EPFO to provide calculation worksheet on PF withdrawal via email, SMS - The Economic Times – 22nd March 2019

The EPFO has decided to provide worksheet of provident fund calculation at the time of withdrawal to the subscribers to increase transparency. The move is aimed at reducing confusion and grievances of EPF members regarding the amount of provident fund that they get on withdrawal at the time of final settlement.

In a letter sent to its regional offices today, the Employees' Provident Fund Organisation (EPFO) has instructed that this calculation sheet be provided to the members either on their registered mobile number or the email ID provided by them in their EPF claim form.

The worksheet is to be provided to members irrespective of whether they file their claims online or offline. Majority of employees in large private sector organisations contribute to the Employees Provident Fund and are members of the EPFO.

Commenting on this move, Puneet Gupta, director, People Advisory Services, EY India said: "From Employees' Provident Fund Scheme, an employee is eligible for lump-sum Provident Fund withdrawal covering his/her own contribution, employer's contribution and interest on both under specified circumstances such as retirement or termination of employment (provided the employee is not employed in another Provident Fund covered establishment for 2 months). The calculation sheet for provident fund withdrawal proposed to be provided by the Provident Fund office will help employees understand the details of lump-sum Provident Fund withdrawal received by them. It is proposed that the calculation sheet will be provided either on registered mobile number or email-id as provided in the claim form. The Provident Fund office has clarified last week that a similar worksheet will be provided for pension benefit. These are welcome steps as it will bring transparency and reduce employee grievances."

In another similar directive issued on March 14, 2019, the EPFO had directed its regional offices to provide the calculations on the pension sanctioned to the pensioner. Earlier there was no system in place to automatically provide pensioners with such a statement.

As per the circular pensioners are to be given a pension worksheet providing information about the quantum of monthly pension to reduce their grievances and confusion on how their pension amount is calculated. This move too is aimed at bringing more transparency in the settlement of pension claims.

EPFO has asked its regional offices to ensure that a copy of the pension worksheet is given to the pensioner along with the intimation sent regarding sanction of pension to the pensioner. This directive was to be given immediate effect as per the circular.

This circular covers all EPF pensioners. Such a statement would help particularly in cases where pension is for any reason revised with retrospective effect.

Apart from this, EPFO has also made it easier for individuals to find out their claim status as well. At the time of retirement, after making the PF claim, one can check its status via three ways. These three ways are as follows:
a) Via EPFO website
b) Via EPFO's unified portal for members
c) By visiting member claim status link

TOP

Source

IRDAI CIRCULAR

Public Disclosures in Non-Life Insurers' website is available on IRADI website.

TOP

Source

Report of the working group for reinsurance reporting formats is available on IRDAI website.

TOP

Source

IRDAI issued order regarding premium rates for motor third party liability insurance cover.

TOP

Source

Updated List of Life Insurers is available on IRDAI website.

TOP

Source

Updated List of Non-life Insurers is available on IRDAI website.

TOP

Source

Exposure Draft on IRDAI (Public disclosures by Insurers transacting other than Life Insurance Business) Guidelines 2019 is available on IRDAI website.

TOP

Source

GLOBAL NEWS

Australia: Health fund members find private medical insurance of declining importance – Asia Insurance Review

Just over half (55.4%) of private health insurance fund members currently agree that "it is essential to have private health insurance". This continues a declining trend seen each year since December 2014 when it was at 65.0%, says market research firm Roy Morgan.

This is a finding from Roy Morgan's Single Source Survey (Australia) which is based on in-depth personal interviews conducted face-to-face with over 50,000 Australians per annum in their own homes, including over 8,000 interviews with members of private health insurance funds. The latest data in this release is for the 12 months ended December 2018.

In a report, Roy Morgan said, "It is likely that if current members don't think health insurance is essential, it is most unlikely that new members will think it worthwhile to take it up."

The report notes that although the majority of fund members (67.5%) still agree that "It gives me peace of mind", this has fallen from 73.6% in 2014. Another major level of agreement was for "It's essential to have" with 55.4% but this has shown the largest decline from the 65.0% recorded in 2014.

Other declining attitudes among members over the last four years include the increasing concern that it is "difficult to understand what you are covered for", which had an increase of 7.5% points (to 44.0%), an increase of 5.2% points in "I don't see much value in having it" (to 16.3%) and an increase of 1.6% points for "I want the cheapest and don't care which provider" (to 21.7%).

There are major age differences in attitudes towards private health insurance. Members aged under 40 (Gen Z and Millennials) have the lowest levels of agreement with "it is essential to have private health insurance". Among members aged 14 to 24 only 38.5% agree that it is essential and even among those aged 25 to 39 the agreement remains below average with only 43.0%. These low levels are in stark contrast to the 70 and over (pre-Boomers) members where 75.1% consider it essential to have private health insurance.

Mr. Norman Morris, Roy Morgan's industry communications director, said, "With the impending increase in private health insurance premiums set for April, it is a concern that over the last four years we have already seen an adverse trend in attitudes which is likely to be exacerbated with any new fee increase. Any further decrease in attitude towards health insurance that may result should be of major concern to health funds and government."

Private health insurance premiums are set to rise by an average of 3.25% with effect from 1 April.

Mr. Morris added, "The major declines in attitudes that we have seen among fund members relate to the fact that only around half now see it as being essential and an increase in the belief that it is difficult to understand what you are covered for. These are important concerns to overcome as they will likely lead to the perception of poor value and member drop out.

"To engage fund members and the general population more in health insurance, this analysis has shown that there is a need to understand what motivates different age groups to take out and stay in health insurance, as the cannot be treated as a single homogeneous group."

He added, "It is important to note that these findings only cover the attitudes of private health fund members and so it is likely that people without it will be even more adversely predisposed towards health insurance. This makes it an even bigger challenge to attract new members as well as retaining existing ones."

TOP

Source

Cambodia: Insurance market expands at robust pace in 2018 – Asia Insurance Review

Total gross premium in the Cambodian insurance industry surged by 30% to $196.4m last year from $151.6m in 2017, mostly driven by life insurance sales, the Insurance Association of Cambodia (IAC) said in its latest report.

Of the total, general insurance sales grew by 15% with life insurance expanding by 50.6% last year. In 2017, general insurance premiums stood at $75.4m. In the non-life sector, growth was driven by motor

insurance, which showed a 26.3% increase, property insurance with 15.2% growth, and personal accident and medical insurance with a 12.1% increase, reported *Khmer Times*.

IAC chairman Huy Vatharo said $22.3m in general insurance claims were paid out in 2018. The life insurance sector paid out over $2.3m in claims last year.

At the end of 2018, there were 12 general insurance companies and eight life insurance companies operating in the country.

TOP

Source

China: Insurance market grows by 20% in first 2 months – Asia Insurance Review

The Chinese insurance industry raked in gross premium income of CNY1,163.8bn ($173.2bn) in the first two months of this year, representing an increase of 19.9% over the corresponding period last year, according to data from the CBIRC.

The pace of growth in the first two months of this year was slower than the 24% increase for January alone. One reason for this is the Lunar New Year holidays which fell in February.

The following table shows the gross premiums posted by the overall insurance industry in the first two months of this year:

Class	Jan-Feb 2019 CNY bn	Jan-Feb 2018 CNY bn	Change 2019/2018 %
Total	1,163.8	970.3	19.9
Property	191.7	177.2	8.2
Personal	972.1	793.1	22.6
-Life	826.1	690.2	19.7
-Health	126.3	87.5	44.3
-Personal accident	19.7	15.4	27.9

From January to February, the insurance industry paid a total of CNY224bn, a year-on-year decrease of 0.7%.

As of the end of February, the total assets of the insurance industry was CNY18.9trn, an increase of 2.9% from the end of last year.

TOP

Source

Australia: Consumers urged to look at health insurance shift – Asia Insurance Review

Australian consumers are being urged to shop for health insurance policies when premium hikes, of an average of 3.25%, take effect on 1 April.

Premium rises equivalent to A$135 ($96) a year for an average family policy are expected, according to comparison website operator iSelect.

The comparison platform helps customers trim items off their health cover that they may not need such as fertility treatment. This allows customers to have better cover for less money, reports news.com.au.

ISelect health insurance expert Jessie Petterd said it is important Australians know how their health insurance policy will change from 1 April and make sure they have the right level of cover at the right price.

"In the long run, these changes will be really good for customers because it will be a lot easier for them to compare policies and to understand exactly what their covered for," she told news.com.au.

"But, in the short term, it is likely to cause a bit of confusion among consumers because they might not really understand how their policy is changing."

"Our advice is if you're feeling confused about it, to speak to a health insurance expert."

More than half of policyholders will take action to save on their private health before the premium rise is brought in, which is about 6.9m Aussies. But, alarmingly, iSelect says about 1m will cancel their cover altogether.

However, consumer advocacy group CHOICE says that more new health policies are expected to be introduced into the market. "Until we have all the facts about the quality of cover in the market, no one can tell you what the best value for money policy will be for your needs."

New data from comparison site Finder shows Australians are lazy when it comes to shopping around for private health, or changing to a better deal. 27% of Aussies have stuck with the same health fund, while a further 34% have only switched once in their lifetime.

This means private health insurance holders in Australia are getting hit by a "lazy tax" that comes with not switching, according to Finder's personal finance expert Kate Browne.

"Premiums are rising every year, and some insurers are hiking up their rates more than others," Ms Browne said.

"Loyalty really doesn't pay off. While shopping around and researching the ins and outs of cover can be complicated, the savings every month could really add up over a year."

Finder insurance specialist Sophie Walsh told news.com.au many people don't update policies when things change, which could cost them extra in the long run.

"Parents could still be paying for pregnancy cover even if they don't need it," she said.

She also said that it is important for people to review their policies this year, as reforms brought in by the Federal government could see people moved into lower levels of coverage while still paying more.

TOP

Source

South Korea: Hike in retirement age expected to lead to higher motor premiums – Asia Insurance Review

South Korea's top court, the Supreme Court, has ruled that the maximum working age of a manual worker should be increased from the current 60 to 65, a move that may lead to an increase in the country's retirement age. A higher retirement age will lead non-life insurers to raise motor premiums.

According to a report by the Korea Insurance Development Institute (KIDI), non-life insurers' financial burden in auto insurance products will rise by KRW125bn ($111m) per year when the retirement age for manual labour is raised to 65.

Non-life insurers will increase car insurance premiums by 1.2% per year, reported Yonhap News Agency citing the KIDI document.

If a 62-year-old physical worker is injured by a car accident and the retirement age for manual labour was 60, a non-life insurer would not be required to pay compensation to the worker for lost earnings.

However, if the retirement age for manual labour is raised to 65, the insurer must pay KRW14.5m in compensation to the worker for lost earnings, the report showed.

TOP

Source

China: Maternity & basic health insurance funds to be combined by yearend – Asia Insurance Review

The State Council General Office has issued a directive providing for combining two social insurance funds -- maternity insurance and basic medical insurance -- in a bid to improve management efficiency and reduce operating costs.

The integration should be completed by the end of this year, it added.

The collection and management of contributions to the funds, as well as the management of medical services, will be unified, Xinhua News Agency reported. At present, contributions to the maternity insurance fund are made by employers only. Both employees and employers contribute, in different proportions, to the basic health insurance scheme.

The State Council document says that the relevant authorities should raise risk prevention awareness, guide expectations, improve maternity insurance monitoring indicators, and establish a dynamic adjustment mechanism based on maternity insurance and expenditure needs.

China's social security system currently consists of five mandatory insurance schemes: the basic pension, medical insurance, industrial injury insurance, unemployment insurance and maternity insurance. There is also a housing fund which is for Chinese employees only.

The maternity insurance scheme, run by provincial governments, pays the costs of maternity leave which, while mandated at a minimum of 98 days, is generally longer.

As regional governments have offered more generous leave policies, payments have increased. In 2016, Chinese maternity insurance funds had CNY53.1bn ($7.9bn) in payouts, exceeding by CNY900m the amount companies paid into the funds, reported Bloomberg citing data from the National Bureau of Statistics of China. That was the first time an annual deficit was posted.

As the Chinese government is encouraging more births, having announced the abandonment of the one-child policy in October 2015, officials are acknowledging the stress the current employer-funded maternity insurance system faces.

Meanwhile, the basic medical insurance scheme is burdened with rising expenditures and is projected to run into deficit as early as 2020.

To cut costs, the Chinese government launched a pilot scheme last year in which bulk purchases of drugs are made for 11 major cities, including Beijing and Shanghai. The government is also promoting the use of generic drugs, which are cheaper.

TOP

Source

Indonesia: Health insurers shift towards higher-end coverage – Asia Insurance Review

The ratio of health insurance premiums to overall general insurance premiums in Indonesia has been falling, even though health insurance business has been growing in the country.

In 2016, the proportion was 6.89%, declining to 6.86% per 2017 and to 2018 to 2.3%, reported *Kontan*, citing data from the Indonesian General Insurance Association (AAUI).

AAUI executive director Dody Ahmad Sudiyar Dalimunthe attributed the declining proportion to the government backed health insurance programme, the mandatory Universal Health Insurance Scheme (JKN) managed by BPJS Kesehatan, Indonesia's Social Security Organising Body.

Mr. Dody said that as a result of the JKN, insurance companies are shifting away from the lower segment of the population which receives basic benefits from the JKN. Insurers are focusing instead on quality health insurance services. "For example, people who want direct services to specialist hospitals, specialist doctors, or premium medical evacuation facilities," said Mr. Dody.

With a membership comprising 218m people currently, JKN is one of the biggest health insurance schemes in the world. At the end of 2014, when JKN was introduced, the number of people covered was 133m. The scheme posted a deficit of IDR10.99trn ($774m) in 2018. Indonesia's total population is estimated at 269m.

TOP

Source

Asia: InsurTech springs up in emerging markets across the region – Asia Insurance Review

InsurTech is catching up in emerging markets in Asia, where a string of InsurTech start-ups have cropped up in countries ranging from Pakistan and Thailand to the giant markets of China and India.

Even in mature insurance markets, there is room for InsurTech growth. Digital insurers like Singapore Life and BowTie (in Hong Kong) allow the public have easier access to insurance.

To give the insurance industry a close-up look at what InsurTech can do to boost business including in process efficiency, customer engagement and new business acquisition, Asia Insurance Review and Lead Sponsor NMG and HealthTech Sponsor Dacadoo are organising the Asia InsurTech Summit 2019.

The three-day event will have 30 expert speakers, more than 10 InsurTech Apps on display, and a not-to-be missed Lab Crawl to some of the leading insurance innovation hubs in Singapore. It will be held on 3-5 April.

The Summit highlights that insurers can no longer afford to work merely with traditional partners in today's digital economy; they must seek other avenues – such as e-commerce and the sharing economy – and adapt to the new reality. A prominent example of this is set by Southeast Asia's biggest ride hailing group, Grab, which is offering micro-insurance and other services.

In addition, insurers must find ways to embed themselves in the digital ecosystem or risk being left out, as more online insurers, with a wide reach, enter the market.

For example, in India, startup insurance tech aggregator platform Insure Mile started operations earlier this month, partnering with 24 insurance companies and offering 200 plus products. Meanwhile, in Pakistan, Karachi-based financial comparison platform Smart choice is working with 15 financial institutions in the country including insurers and banks to feature about 100 different products.

HealthTech is also a big wave in InsurTech developments with names like Ping An Good Doctor and CXA Group making their mark in the region.

TOP

Source