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QUOTE OF THE WEEK

"Whatever words we utter should be chosen with care for people will hear them and be influenced by them for good or ill."

Buddha

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Top Up Premium in Ulips

Definition: A top-up premium is something that a policyholder can invest into his ULIP over and above his existing premium payment. If you want to take advantage of a well-performing ULIP, you can increase its investment component by paying an extra premium.

Description: There is no compulsion to increase the insurance component of the ULIP. But some ULIPs increase the sum assured in accordance with the top-up premium.

Top up in a ULIP can be done anytime during the life of the policy until the total of top-up premiums does not exceed a specific percentage of the total premium paid. Every company clearly defines the minimum top-up amount in the policy document itself. But this option is available only for disciplined customers who pay their premiums on time.

The premium allocation charge of a top-up plan is anywhere between 1% and 3% and varies from policy to policy. The premium allocation charge can be saved or lowered by opting for a top-up premium.

Source

INSURANCE INDUSTRY

Indian control clause for insurance may go - The Economic Times – 31st January 2020

The Centre is likely to drop the clause that mandates control of insurance companies by Indian promoters as it seeks to enhance foreign direct investment (FDI) limit in the industry to 74% from 49%, said people with knowledge of the matter.

The government has held several meetings with the insurance regulator, insurers and consultants on higher FDI in the sector. Many global insurers, such as MetLife, have not raised their stakes in Indian operations due to the clause that was introduced in 2015.

"The government will amend the relevant provision while dropping control and ownership clause of the Insurance Act through the Finance Bill," said an official at the Insurance Regulatory and Development Authority of India (Irdai).

Cabinet Note in the Work
"It has decided to prepare a cabinet note proposing higher FDI of 74%," the official said.

The FDI increase is being evaluated very carefully said a source close to the development. "The complexity of 'Indian owned and controlled' is involved, and the government is looking to address this issue," he said. Regulations on royalties, dividends, ring-fencing of balance sheets and board composition are also likely to be reviewed, said another person who had attended the meetings.

It's been proposed that overseas investors start at 49% and raise their stake to 74% over time. However, foreign insurers have suggested that the limit be set at 74% from the outset.

The government raised the FDI ceiling in insurance to 49% from 26% in March 2015. This prompted foreign promoters to increase their stakes in joint ventures besides paving the way for initial public offerings. Among the listed life insurers are HDFC Life. SBI Life and ICICI Prudential. Listed general insurers include ICICI Lombard, GIC Re and New India Assurance. India has 24 life insurance companies and 34 general insurance companies.

Before the 2015 change, the Insurance Act did not require domestic ownership and control. It was therefore possible for offshore strategic partners to have substantial control, including over reserved matters or veto rights on operational and financial policy decisions. The government increased the FDI limit in insurance intermediaries to 100% in September, a move aimed at opening up the large-scale professional advisory space to investment.

(The writer is Shilpy Sinha.)

TOP

Source

Insurance industry's laundry list of demands for Budget 2020 – Business Today – 31st January 2020

The insurance industry has always got special attention from the BJP-led NDA government. Be it Fasal Bima Yojana (crop insurance for framers) or Ayushman Bharat (medical insurance for poor), the government has effectively used the insurance industry to provide coverage to millions of people at the bottom of the pyramid.

While the government-sponsored schemes bring bulk premiums, they also comes with their own inherent risks. The insurance industry needs a flow of stable business. Its laundry list for Budget 2020-21 includes relaxation in the FDI limit, a separate deduction for first time insurance buyers, increase in the health insurance deduction, and a hike in overall deduction under the traditional Section 80C.

In the last few decades, the size of the insurance industry has been growing in absolute numbers, but the penetration levels are too low as compared to global peers. Take for instance, the life insurance industry that earns annual premium of Rs 2.14 lakh crore has seen its penetration plunging from 4.5 per cent a decade ago to 2.74 per cent of the GDP in the present. The non-life or general insurance with premium size of Rs 1.70 lakh crore has fared relatively better. The insurance penetration in general insurance has improved from 0.60 a decade ago to currently at 0.97 per cent of the GDP. But the penetration level of general insurance industry is no match to global peers.

Increase in Foreign Direct Investment
Post the privatization of the insurance industry, all global players are present in India. The industry also had its share of rise and fall as privatization brought competition, innovative products, aggressive pricing, and also better customer service. The insurance industry is now expecting a relaxation in the foreign direct investment (FDI) limit from 49 per cent to 74 per cent. While life insurance is in a better place with three top players (HDFC Life, ICICI Prudential and SBI Life) listed on the stock markets, general insurance and health insurance are capital guzzlers because of the kind of losses they have made in the recent past. There is already consolidation underway in the industry. The higher FDI limit will not only support the existing joint ventures but also encourage new players to set base in India.

Deduction for first time buyers
There is a demand from the industry for introducing a separate section in the Income-tax Act for providing a deduction of Rs 25,000 to Rs 50,000 for first-time insurance buyers. This can be done for all the policies or for term policies which covers only the life. This will give a big boost to the sector. While

government has introduced state-sponsored crop and medical insurance for poor people, the initiative to provide separate deduction for first time buyer will be very positive. The money so raised could be deployed in long-term projects like infrastructure and other sectors. The banks are already moving out from long gestation projects, while the bond market is not well developed to take the load. In addition, the development financial institution (DFI) model also got dismantled after the big DFIs like IDBI, ICICI and IDFC turned themselves into banks.

Increase in health insurance deduction
The Section 80D allows a separate deduction of Rs 25,000 for premium towards a medical or health policy every year. The government has increased this limit gradually to Rs 25,000 per year, which includes the cover for the entire family or a single member. There is a strong demand for increasing the amount to a higher limit.

Increase in 80C exemption limit
Currently, the maximum tax exemption provided under Section 80C of the Income Tax Act is Rs 1.5 lakh, which is too low as it has other investments like public provident fund, equity-linked taxation scheme, home loan principal, etc. In fact, the PPF and home loan principle consumes the entire limit of Rs 1.5 lakh. The industry is expecting that this limit will be increased to 2.5 lakh to Rs 3 lakh.

(The writer is Anand Adhikari.)

Source

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Govt needs to tweak these rules to increase insurance penetration – CNBC – 30TH January 2020

While there is no denying that the government has worked hard with the stakeholders to map out a robust policy framework for the insurance ecosystem to overcome legacy problems, I feel that policy changes without pragmatic action on the ground have a limited impact in triggering growth.

Now that a set policy has been adopted and the industry has accustomed itself to them, the government should focus on introducing the next set of reforms in Budget 2020 that enable increasing customer on boarding. After all, the key to building a sustainable insurance industry is to expand the consumer base that shall not only increase the overall insurance penetration in the country but also expand the number of households having a financial safety net.

Background
As the countdown to Union Budget 2020 begins, speculations are running high regarding what Finance Minister Nirmala Sithraman's 'Bahi Khata' has in store for India once it is unveiled on February 1 in the parliament. The industry, as well as the common taxpayer, are hoping for a budget which spurs demand in the economy. Keeping in mind the critical role insurance can play in reducing health-related spending of the government, I feel that the government should consider revising some regulations, which can further incentivize insurance as a priority purchase for Indians.

GST on pure life, health insurance must be removed
Let's consider some alarming facts before moving forward. The healthcare inflation in India has witnessed a steep rise from 4.39 percent in 2017-18 to 7.14 percent in 2018-19. In fact, an analysis of the data compiled by the National Sample Survey Office (NSSO) reveals that the annual health expenditure of 1 in 5 Indian households or 36 million households exceeds their annual per capita consumption expenditure, putting them in the category of households facing catastrophic health expenses. On the life

insurance front according to the Reserve Bank of India data, the sum insured to GDP ratio stands at paltry 58 percent (RBI Data) in comparison to advanced economies like the US, Germany, South Korea and Japan which hover around 105-321 percent and the grim reality is the lowly 3.69 percent insurance penetration of our country, which is among the lowest in the world.

Going by pure facts, it is prudent to question the rationale behind the imposition of service tax in 2014 and now 18 percent GST on the insurance premium. In India, most of the social security programmes are aimed at the bottom strata and fiscal restrictions make it impossible for expanding the scope any further, it is the middle class that takes the hit as they are left fending for themselves. Not only do they pay taxes honestly, but they also fuel demand in the economy. Therefore, the government should take a re-look at the imposition of GST on pure protection insurance products. The GST is unnecessary leading to higher costs on a purchase being made out of pure necessity and not for luxury. Removal of GST on these protection products will enable 230 million + households to create a safety net for themselves.

Restrictions on remuneration for sale of insurance

Consumers are slowly moving to online platforms because the business model offers transparency, empowerment, and freedom of choice with the cherry on the cake being the high-level of customer-centric services that are offered to them. This has been made possible due to the investments that businesses such as ours are making in the adoption of technologies such as Artificial Intelligence, Machine Learning, Text-to-Speech, Progressive Learning, etc. However, all this has a cost attached to it and eventually takes a toll on our bottom line. Thus, for an industry already operating on wafer-thin margins, the government must consider easing restrictions on remuneration earned from non-mandatory risk products (i.e. – pure life and health insurance). These restrictions make it difficult for the industry to build long term sustainable businesses. Furthermore, these limitations are impinging upon product innovation in the insurance industry. We must appreciate that apart from motor and two-wheeler insurance, all other General or Life Insurance offerings are push products and not pull products. Thus, for the sake of innovation and transparency, there is an inherent need for easing the strictures placed on the remuneration that an aggregator can earn.

This will help with the penetration of insurance in its right earnest, ensuring social security for the households through insurance, being an incentivized priority for distributors in the country.

Incentivizing digital transactions

There has been a constant focus on encouraging people to use the digital medium for carrying out transactions. While the efforts have borne fruit among the relatively younger segment of the population the same cannot be said for those who are in the age group of 45 years and above. Those belonging to that age group have inertia to move away from cash and mind you, according to the projections for 2020, this segment will constitute nearly 30 percent of India's population. Their reluctance can be attributed to a lot of factors like not trusting the online medium. But if we create policies, which become the differentiators, then rapid progress can be made. For instance, the government may consider coming up with a policy wherein train tickets can only be purchased online for a specific hour during the day to encourage adoption. For businesses, the government could consider reducing compliances which are generating a certain percentage of the revenue online. What I am saying is that now is the time to move from vanilla incentives like cash back which is being done by businesses. However, to bring about a change, pragmatic policy changes are required. To sum up, the focus should shift from policy to adoption of technology and for that incentives need to be doled out. What these incentives could be is for the government to decide.

Removal of duplication of KYC

Convenience, Choice and Ease of Buying are the three differentiators that an online platform offers consumers. However, the duplicate process of KYC verification being followed currently negates these differentiators. In any case, online transactions paid through KYC verified bank accounts can be used for insurance purposes as well. Meaning, when the insurance premium is paid through digital means i.e. through a KYC verified bank account, there is no need for the insurer to conduct KYC of the customer again. The government should consider doing away with duplication of KYC process in Budget 2020.

Furthermore, digital capability between banks and insurance companies/insurance intermediaries should be built to simplify the process. This will ensure that there is no loss of time in KYC verification of the customer, lowers costs for all parties involved and additionally, it will fast-track the entire process involved in insurance purchase for the customer.

(The writer is Alok Bansal.)

[TOP](#)

Source

Insurance sector seeks incentives for customers - The Tribune – 30th January 2020

The services sector, which contributes significantly to the country's exports and provides large-scale employment opportunities, plays a vital role in the the country's GDP. India's services sector covers a wide range of activities involving the hospitality sector, logistics, information technology, financing, Medicare and insurance. Following are the expectations of the services sector from the Union Budget:

Increase insurance penetration

Currently, only 8% of the population is covered by insurance. The percentage of pure protection-led insurance is abysmally low. "We do not have a social security system like the one prevailing in Europe where the government takes care of all end-to-end requirements of the citizens post-retirement. Thus, it is important for the government to adopt a sandbox approach towards insurance in the Union Budget and incentivize people to make the nation socially secure," said Tarun Mathur, co-founder and CBO, Policybazaar.com.

Reinstate GST setoff in hospitality sector

The hospitality sector wants reinstatement of GST setoffs for capex and expenses that were recently removed. "The cost of new restaurant capex has increased by nearly 20% due to this change, and hence by reinstating GST setoffs, we will see increased investments and employment opportunities," said Karan Kapur, executive director, K Hospitality.

Ensure faster 5G rollout

At present, digital media companies need to spend a lot on keeping local servers ready with loaded content. "The current AGR imbroglio with the telcos will delay the auction of 5G spectrum. This delay will seriously affect government's 'Digital India' dream and prohibit smaller players from challenging the big players with innovative content," said Shakir Ebrahim, founder, GoBisbo Broadcasting Network Pvt Ltd.
Enhance investment in technologies

According to Kushal Nahata, CEO and co-founder, FarEye, connectivity is extremely important to ensure logistics visibility and mitigate transportation risks. A greater focus on mandating the digitalisation of certain key accounting, billing, and logistics processes are needed to boost compliance and tackle corruption better. Modern logistics management tools can empower businesses to drastically reduce fuel consumption and hence shrink their carbon footprint.

Cut tax rate to boost FMCG demand

The FMCG sector is likely to face headwinds of economic slump. However, the government initiatives will play a major role in shaping consumer sentiments. "Government measures such as tax rate cuts, including GST, and announcements in the upcoming Union Budget in favour of rural economy will play a crucial role in uplifting consumer sentiments," said Sanchita Jindal, founder, OSOAA.

Status quo on capital gain

"We don't anticipate material demand-side measures in the Budget, as it is staring at a zero growth in tax revenue this year. Consequently, we expect the government to remain status quo on popular market demands around LTCG, STCG, STT, DTT or the super-rich tax introduced in the last Budget," said Amar Ambani, senior president and research head, Institutional Equities, YES Securities.

(The writer is Vijay C Roy.)

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Source

Budget 2020: The insurance industry's expectations – BSFI – 30thJanuary 2020

The insurance industry's growth and success are directly proportional to the growth of the economy. The industry is also affected as and when there are any changes to a particular sector like auto or ecommerce. There is an overall slowdown in economy with the degrowth in auto sector. This has resulted in slowdown in non-life Insurance premiums as well.

The finance minister could announce measures to stimulate the economy by addressing specific sectors. Some of the measures that the industry is expecting is a cut in Personal Income tax, GST rate cuts in the auto sector, increase in tax sops to boost housing sector etc. Such measures would revive consumer sentiments and positively affect the demand and consumption domestically, resulting in higher sales in auto and other sectors. This would help the improve sales of non-life Insurance products.

Awareness of importance of Insurance

Further, as long as the going is good, there is an optimism bias among Indians where consumers don't feel the need for any Insurance protection. Purchasing any kind of Insurance is still looked at as a cost rather than a protection from adverse financial situation. This has resulted in lower penetration of Insurance, despite a lot of measures announced by the government as well as the regulator. The general insurance sector has a shocking 1% penetration in India.

To increase the penetration of non-life insurance, the government could look at offering more tax benefits, include more products under mandatory insurance cover and roll out more mass Insurance schemes. Standardization of policy documents across various Insurance products like Health/ Home Insurance could help in better understanding of insurance products.

Protecting your Assets like your home

Purchase of property or owning your own home is a dream come true for most of us. But in the current climate conditions, there is a likely chance of this dream to get washed away in a nature's wrath. In recent times, we have witnessed quite a few natural calamities, resulting in property losses for the un-insured. Making home insurance mandatory at the time of purchase of the property or giving special rebate (similar to health Insurance) for Insurance of houses could incentivize people to buy Home Insurance. Additionally, the government could roll out a mass product scheme similar to its flagship programs like PMJSBY, PMFBY etc. for compulsory Home Insurance under affordable housing.

Tax Deductions

The government may also revisit the Income tax deductions available under Section 80D for health Insurance and could revise the same upwards. Given the ever-increasing medical costs, the finance minister could announce a higher tax rebate under Section 80D from current INR 25000 to INR 50000 for self and for dependent parents (age above 60 yrs.) to INR 75000 from INR 50000. Also, the government could make health insurance mandatory for all employers in the un-organised sector as well.

Reducing Insurance related GST

Further, currently the insurance premiums are taxed at a GST rate of 18% which increases the cost to purchase any non- life insurance. Given that the purchase of such a policy is not done for investment purpose, the government could either lower the applicable GST rate for Insurance premiums or could exempt it for policies with a minimal cover or for policies issued under the flagship Insurance programs like PMFBY. While GST is not under the purview of the budget but the finance minister could subsidise the payment of GST under its flagship schemes like PMFBY or for mandatory Insurance products.

(The writer is Parimal Heda.)

TOP

Source

Budget 2020: Parity with NPS, separate tax deduction, what insurance sector wants – Mint – 30th January 2020

Union Budget 2020 must initiate some new measures to make insurance policies more attractive and customer-friendly, insurance players have demanded. In 2018, insurance penetration in India continues to be one of the lowest at 3.70%, according to the annual report by Insurance Regulatory and Development Authority of India (IRDAI).

Union Finance Minister Nirmala Sitharaman will present Budget 2020 on February 1. From an increasing maximum tax exemption to bringing in a separate deduction for premium paid on individual life policies — here are the expectations of insurance industry from the upcoming budget. The insurance industry wants Nirmala Sitharaman to bridge the gap between taxation of pension policies issued by life insurance companies and pension products under National Pension Scheme (NPS). The Life Insurance Council has proposed additional tax deductions of ₹50,000 over and above the 80C limit on investments made in pension plans.

If one buys a pension plan by life insurance companies, the contribution to the pension fund is deductible under section 80CCC and the overall limit of Section 80CCE of ₹150,000. To encourage investment in NPS, a new sub-section (1B) under Section 80CCD of the Income Tax Act has been introduced that allows an additional deduction of ₹50,000 over and above the ₹1.5 lakh available under Section 80CCE of the Act.

In order to make life insurance policies more than a tax saving tool, central government must extend an additional deduction of ₹50,000 for premium paid (as available for NPS) to pension policies issued by life insurance companies, said S N Bhattacharya, Secretary, and Life Insurance Council.

Introducing separate deduction of ₹50,000 for first time life insurance buyers and an additional capping of ₹50,000 for someone purchasing a pure protection (term) plan will put life insurance on fast track, added Kamlesh Rao, MD & CEO, Aditya Birla Sun Life Insurance. Life insurance policies must meet the twin needs of providing protection as well as long-term savings. Insurance industry players have also requested Nirmala Sitharaman to consider a separate deduction for premium paid on individual life policies.

"It would be desirable to remove life insurance premiums from under Section 80C and to create a separate category for the same. This would provide policyholders with the flexibility of diversifying their investments across various life insurance policies to meet their life goals while availing tax exemption," Sanjay Tiwari, Director, Strategy, Exide Life Insurance said.

"The government should either consider a separate deduction section or enhance to limit under Section 80C of Income Tax Act, 1961, to ₹3,00,000, since the current limit of ₹1,50,000 is too low to cater to all the contributions it covers," said Tarun Chugh, MD & CEO, Bajaj Allianz Life.

"Another measure that would benefit the sector is raising the TDS threshold limit under section 194D (Insurance Commission) from the current level of ₹15,000. Such an enhanced threshold limit would ease the excessive compliance burden due to the huge number of individual agents (over 22 lakhs) of life insurance companies," said Vighnesh Shahane, MD & CEO, IDBI Federal Life Insurance. Another important move would be to encourage women to insure their lives and savings. Extra tax benefit for women policyholders will be a significant step.

"Moreover, relaxation of section 10(10)(D), where minimum sum assured is required to be 10 times of annual premium will be a desirable move. These measures will pave the growth path for the LI sector, besides increasing the security net of the nation's people at a very low cost," Kamlesh Rao, MD & CEO, Aditya Birla Sun Life Insurance mentioned.

(The writer is Anulekha Ray.)

TOP

Source

Traffic rule violations may jack up insurance premium – The Economic Times – 29th January 2020

Traffic violators in Delhi could be in for a shock as insurance companies will soon charge higher premium for third-party insurance from them. The framework, to be finalised in the next one month, proposes negative points for traffic offences and this will form the basis for insurance companies to charge a "penal" premium.

T L Alamelu, member (nonlife) of Insurance Regulatory and Development Authority of India (IRDAI) said the pilot project will start soon in the national capital and it could be extended to other states. "The recommendations of a committee set up to frame the norms have been submitted and we expect to roll it out soon," she added.

In yet another move, the Delhi traffic police is also working on a project to catch speeding drivers who are now using mobile apps to detect location of CCTV cameras and speed guns. "We are working on a plan to address this, which has become a trend. There are technologies to measure the speed of a vehicle between two installed cameras at a certain gap. We will fix this issue," said special commissioner (traffic) Taj Hassan. The similar trick was initially used on Yamuna Expressway to catch speed violations. "But the best option would be to notify the service provider and ask it to deactivate the mechanism since it's illegal. Some countries have done this," said a government official.

TOI had on September 9 first reported that a panel with members from IRDAI, Delhi traffic police and transport department was set up following a recommendation from a high powered committee under the Union home secretary, which looked into the issues of traffic management in the national capital. This will be the first such initiative in India to link insurance premium to the driving record.

Currently, the insurance premium is only linked to the type of vehicle and engine capacity. Vehicle owners get some discount, if they have not made any claim during the preceding year. Top executives of major insurance companies on Tuesday batted for linking insurance to the driver to reduce number of accidents.

(The writer is Dipak K Dash.)

TOP

Source

Encourage first time buyers to go for insurance – Deccan Herald – 27th January 2020

The online players and insurance companies will and are playing their part in coming up with products, increasing awareness and making the buying and servicing experience better. But, to have a substantial impact on bridging the protection gap, a lot is expected from Government to incentivize getting protected.

Dedicated government focus on bringing more people under the ambit of life, health and general insurance is the need of the hour and industry is expecting the government to look in that direction.

While sharing his budget recommendations, Divyanshu Tripathy, CEO & Co-Founder, Easy policy, says "There could be some measures taken to encourage first time buyers to go for insurance. Women especially could be incentivized. In 2018-19, women bought 103 lakh life insurance policies and contributed Rs 36,525 crore of premiums (individual life insurance new business). Introducing separate deduction for first time life insurance buyers and an additional capping for someone purchasing a pure protection (term) plan will put life insurance on fast track.

Relaxation of section 10(10)(D), where minimum sum assured is required to be 10 times of annual premium would be a desirable move. Lowering rate of GST will be beneficial for both policyholders and companies. The removal of GST will reduce the cost of a policy, making insurance affordable for individual policyholders. Besides, if we look at the private banking sector in India, it is subject to a 74% FDI cap. This could be extended to the rest of financial sector bringing insurance under its ambit. This would open up new avenues for insurance companies to infuse more capital and hence, improve penetration."

The Indian Insurance industry witnessed positive growth in the last decade. Aided by policy reforms, new regulations, adoption of technology, growth of online products and web aggregators, the insurance industry is poised to take a big leap to close the vast protection gap that exists in the country. According to the latest Insurance Regulatory Development Authority of India (IRDAI) annual report, India's life insurance penetration in 2018 is 2.74 per cent, non-life is 0.97 per cent and the overall industry is 3.70 per cent.

However, one of the basic challenges in the sector is that awareness and understanding of insurance products are still very low in the country. The 'aware' segment is clustered in metros and Tier 1 cities. With the coming of online products, the awareness is increasing coupled with the fact that India's workforce is increasingly getting younger with better online presence. Resultantly their knowledge about access to online insurance products comes handy not just for their personal requirements but the entire family. With the increasing penetration of the internet, it is expected that 840 million people would be digital by 2021.

The online players and insurance companies will and are playing their part in coming up with products, increasing awareness and making the buying and servicing experience better. But to have a substantial impact on bridging the protection gap, a lot is expected from Government to incentivize the insurer and insured.

In view of the market changes in the industry and how the industry is poised at the moment, there are many positive steps, which the industry is expecting from the government to be introduced in the budget.

Below are a few steps put together by Divyanshu Tripathy, CEO & Co-Founder, Easy policy, that the industry players feel would prove great boosters and improve penetration by leaps and bound.

- Dedicated government focus on bringing more people under the ambit of life, health and general insurance is the need of the hour and industry is expecting the government to look in that direction.

- There could be some measures taken to encourage first-time buyers to go for insurance. Women especially could be incentivized. In 2018-19, women bought 103 lakh life insurance policies and contributed Rs 36,525 crore of premium (individual life insurance new business)
- Introducing separate deduction for first-time life insurance buyers and an additional capping for someone purchasing a pure protection (term) plan will put life insurance on the fast track.
- Relaxation of section 10(10)(D), where the minimum sum assured is required to be 10 times of annual premium would be a desirable move.
- Natural calamities like floods, cyclones have caused immense losses to most of the dwelling units and their contents. If the building along with the contents of the house is protected with adequate home insurance, the financial burden will be reduced for the owners. With calamities increasingly affecting urban areas as well, people would be very willing to opt for such products. Coupling them with separate tax exemption to an extent would again pump impetus to the sector.
- Lowering the rate of GST will be beneficial for both policyholders and companies. The removal of GST will reduce the cost of a policy, making insurance affordable for individual policyholders.
- Another not much touched upon area is the FDI cap. The existing foreign direct investment (FDI) cap of 49% applies to the entire insurance sector in India. The government announced earlier that FDI of up to 100% will be permitted for insurance intermediaries. This change does not apply to the remainder of the insurance sector.
- If we look at the private banking sector in India, it is subject to a 74% FDI cap. This could be extended to the rest of the financial sector bringing insurance under its ambit. This would open up new avenues for insurance companies to infuse more capital and hence improve penetration.
- The Budget could encourage investors who want to save for their children's education by providing tax benefits to saving instruments.
- Separate deduction for term insurance plans could be a very positive move and also improve tax savings for the people and the savings would again be circled back to some investments or the other.
- Healthcare costs have shot up in recent years and continue to rise at a fast pace and continue to grow. The budget should incentivize this by raising the deduction limit for medical insurance premium under Section 80D from Rs 25,000 to at least Rs 50,000 for self and family

Positive announcements with reference to some of the above points made will definitely help the industry reach its potential, which is poised at USD 280 billion this year. The target can be realised if awareness about the importance of insurance, along with innovative products and their accessibility is effectively made with seamless distribution channels.

(The writer is Divyanshu Tripathy.)

TOP

Source

Why there will be few takers for 100% FDI in insurance intermediaries – CNBC – 27th January 2020

On September 2, 2019, the ministry of finance (MoF) notified the Indian Insurance Companies (Foreign Investment) Amendment Rules, 2019 (Insurance FI Rules) which permits 100 percent foreign direct investment (FDI) in insurance intermediaries. The Insurance FI Rules also set out certain conditions for insurance intermediaries that have majority foreign shareholding (FII).

Further to the Insurance FI Rules, the Insurance Regulatory and Development Authority of India (IRDAI) issued the IRDAI (Insurance Intermediaries)

(Amendment) Regulation, 2019 (Intermediaries Regulations) and the Guidelines on Repatriation of Dividends by Insurance Intermediaries having Majority by Foreign Investors (Dividend Guidelines) to operationalise the Insurance FI Rules and set out a method for compliance by FIIs with the conditions provided under the Insurance FI Rules. Changes to the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 are awaited for the FDI relaxation for investment in insurance intermediaries to fully take effect.

Key Conditions under the Insurance FI Rules

The key conditions set out for FIIs under the Insurance FI Rules include:

(a) Prior permission of the IRDAI to be obtained for repatriation of dividends;

(b) FIIs to not make payments to related entities beyond what is permitted by the IRDAI;

(c) FIIs to bring in latest technological, managerial and other skills; and

(d) the composition of the board of directors and key management persons (KMP) being compliant with the stipulations specified by the IRDAI.

Additional changes brought in by the Intermediaries Regulations

In furtherance of the powers prescribed by the MoF under the Insurance FI Rules, the IRDAI has expanded the conditions which relate to related party payments and composition of the board by way of the Intermediaries Regulations:

(a) No payments to be made to any related parties of the insurance intermediary beyond 10 percent of the total expenses of the company in any financial year; and

(b) Majority of the KMPs and directors on the board are to be resident Indian citizens.

Key aspects of the Dividend Guidelines

Similar to the Intermediaries Regulations, the Dividend Guidelines have further elucidated the conditions set out in the Insurance FI Rules along with the procedure for FIIs to seek approval for repatriation of dividend as follows:

(a) The FII should have a net-worth of at least 1.5 times the statutorily required minimum paid up capital (e.g., for a composite insurance broker the capital requirement is INR 5 crore) after the proposed dividend pay-out;

(b) The proposed dividend shall be payable out of the current year's profits only if the IRDAI has not placed any restrictions on the insurance intermediary for declaration of dividends; and

(c) The following restrictions have been placed on the quantum of dividend payable:

The percentage of dividend payable (excluding dividend tax) to profit after tax (PAT) during the year (Dividend Ratio) should not exceed 75 percent;

If the PAT for a year includes any extraordinary profits / income, the same should be excluded to calculate Dividend Ratio; and

If there are any adverse qualifications by the statutory auditors to the financial statements of a year, the same should be adjusted in the PAT to determine the Dividend Ratio.

Will there be any takers?

While the move to allow 100 percent FDI in insurance intermediaries is a welcome move, the requirements under the Intermediaries Regulations and Dividend Guidelines for FIIs are likely to be viewed as onerous by foreign investors. It remains to be seen if foreign investors are willing to subject themselves to these requirements and become majority shareholders of insurance intermediaries.

The cap on related party payments and the ceiling on repatriation of dividend might be more relevant in the context of insurance companies. Given the asset light nature of the insurance intermediaries business, these requirements might prove to be a roadblock to large foreign strategic players from entering India, as their realisation of return on investment may get affected.

The MoF had prescribed that FIIs should not make related party payments beyond what is necessary or permitted by IRDAI. The regulator in exercise of this power has applied a blanket restriction on related party payments of 10 percent of the total expense of an FII.

IRDAI has used a 'one formula fits all' approach rather than prescribe a subjective test. Similarly, while the Insurance FI Rules require an FII to obtain the prior approval of IRDAI for repatriation of dividend, the regulator has in its exercise of this power, curbed the dividend payout which may be repatriated by FIIs — a standard even higher than capital intensive, highly regulated financial services such as mutual funds.

The intention of the IRDAI to enhance corporate governance, while commendable, may play out to become counterproductive to the objective of the MoF of increasing inflow of FDI.

Additionally, the Insurance FI Rules require at least one amongst the following, chairman of the board, managing director, chief executive officer or principal officer, to be a resident Indian citizen. The IRDAI has expanded this requirement further and prescribed that the majority of the board and KMPs of FIIs have to be resident Indian citizens. This could be a hindrance as FIIs have been mandated to bring in latest managerial and other skills.

(The writers are Anuj Shah, Harsh Khemka and Rahul Chandramouli.)

TOP

Source

Why top posts in RBI, PSBs, and state-owned insurance firms take too long to fill – Business Today – 27th January 2020

Governments come and go, but one thing that refuses to change is the bureaucracy. The last six months have seen delays in top-level appointments in public sector banks (PSBs), state insurance companies and the Reserve Bank of India (RBI). The process that leads to a delay may have some merits, but the institutional framework of speeding up appointments such as setting up of the Bank Board Bureau (BBB) has been created with the very purpose of lessening the burden of government in searching the right candidate for MD, CEO and chairman for government entities.

TOP

Source

Insurance Industry Expecting More Tax Incentives in Union Budget – The Times of India – 27th January 2020

The insurance industry is expecting more tax incentives to increase the penetration of life and general cover among public in the upcoming Union Budget. In a pre-budget memorandum, the Life Insurance Council has sought a separate deduction in personal taxes or an increase in the present limit for the premium paid for individual life policies. Finance minister Nirmala Sitharaman is scheduled to present the Budget for financial year 2020-21 on February 1.

"We request finance minister to consider a separate deduction to be provided for premium paid on individual life policies," Life Insurance Council's secretary S N Bhattacharya said. If no separate deduction is provided, the existing limit of Rs 1.5 lakh, under section 80C, should be enhanced to Rs 3 lakh, he said adding, "the existing limit of Rs 1.5 lakh is too crowded with both short-term and long-term investment vying for its share."

Aditya Birla Sun Life Insurance's managing director and CEO Kamlesh Rao said introduction of a separate deduction of Rs 50,000 for first time life insurance buyers and an additional capping of Rs 50,000 for someone purchasing a pure protection (term) plan will put life insurance on fast track. Rao said lowering GST rate to 12 percent (with input tax credit benefit) will be beneficial for both policyholders and companies. For a pension plan issued by life insurance companies, an individual contribution to the pension fund is deductible under section 80CCC under the overall limit of section 80CCE of Rs 1.5 lakh.

The Finance Act 2015 inserted a new sub-section (1B) under section 80CCD of the Income Tax Act to encourage investment in National Pension Scheme (NPS) by any individual by allowing an additional deduction of Rs 50,000 over and above the Rs 1.5 lakh available under section 80CCE of the Act. "It is recommended that in order to reduce gap between taxation of pension policies issued by life insurance companies vis-à-vis NPS, the additional deduction of Rs 50,000 for premium paid (as available for NPS) should be extended to pension policies issued by life insurance players," Bhattacharya said.

General Insurance Council, the body representing non-life insurance players, has urged the government to reduce goods and services tax (GST) from 18 percent to 12 percent. "Insurance has become a necessity. In order to encourage risk management among people, there is a need to bring down the GST rate on general insurance products to 12 percent from 18 percent, at present," General Insurance Council's secretary general M N Sarma said. The non-life players have also requested for tax deduction of Rs 10,000 under income tax for insurance of residential property.

ICICI Lombard GIC chief financial officer and chief risk officer, Gopal Balachandran, said general insurers currently are at a disadvantage as compared to other financial services companies. While other classes of assesses were provided the benefit of grandfathering of all gains earned on such long terms capital assets up to February 1, 2018, this benefit has not been clarified for general insurance firms. "This is important for insurers since it will help them in maintaining solvency margins and risk mitigation against catastrophes. This will help insures to provide affordable products and cost effective solutions to customers," Balachandran said. According to Star Heath and Allied Insurance managing director, S Prakash, there are some products where health insurance companies take more risks and come forward to cover people living with disease. "In this segment there can be a better concession in GST. For senior citizens, there should be an exemption from GST at least for products with lower sum insured," Prakash said.

Source

TOP

This Budget, can we get India's massive pension and insurance players to invest into VC funds - The Economic Times – 25th January 2020

It is fair to say that India's VC industry is broadly happy with Government policy in recent times; and yet there always seem to be unmet aspirations that everyone hopes would be addressed in the next Budget. This is the common theme in every conversation I have at industry events, panels and the like – so at the risk of being repetitive, I will enumerate these.

From a "pure" taxation standpoint, the ecosystem wishes for lowering of the GST rates for Fund managers for management fees charged to AIFs. This could be especially useful for smaller funds (say less Rs 100 crore). Second, they wish for rationalization of the timing of taxes on ESOPs – by which taxes are calculated only when true capital gain (as opposed to paper gains) are realized. Both changes would improve sentiment and the viability of careers in these fields.

Second, the government should make it easier for India's massive pension funds and insurance players to invest into VC funds. This could be done through a mixture of beneficial taxation, well-defined and forward-thinking policy and broad education amongst decision makers in such institutions on the benefits of investing into PE/VC funds. In India, the AIF asset class, remains largely misunderstood by large financial institutions that continue to balk at the risk to reward ratio in VC funds; and still refuse to take a "portfolio approach" to deploying their large capital reserves, and in turn not allocating anything at all to high risk/high reward assets.

Out of the Box

Aside from the oft-requested incentives, I've often thought of some out-of-the-box mechanism that the government could initiate to further catalyze growth in the ecosystem and encourage entrepreneurship. There are many entrepreneurially minded people that don't venture out of more defined career paths because of the fear of failure. What if there could be a tax incentive for larger corporations to hire entrepreneurs of failed start-ups; or alternatively give some monetary incentives to these entrepreneurs for their next career path – for example seed funding from a Government Fund of Funds program. Sure, this cannot be rolled out to all start-ups, for obvious reasons, but could be offered to start-ups that create over 10uch creative measures would further encourage people to start new businesses and create numerous new opportunities. A few of these start-ups would raise money and realize exits Such creative measures would further encourage people to start new businesses and create numerous new opportunities. A few of these start-ups would raise money and realize exits – thereby positively impacting the entire ecosystem. The key point here is that a lot of these activities would not have been possible had these entrepreneurs not chosen to break free from 'safer' career paths.

(The writer is Prasad Vanga.)

TOP

Source

INSURANCE REGULATION

Irdai's Committee on micro insurance suggests ways to boost segment – Business Standard – 31st January 2020

The insurance regulator's committee on micro insurance has suggested such policies be allowed up to Rs 5 lakh, from the current level of Rs 2 lakh, and that even general insurance or health products have return of premium as an option. "It appears return of premium is one feature which holds greater value for this section of customers," the committee said in its recommendations. Also, that general insurance policies, typically renewed annually, be allowed for a longer term. Micro insurance is specifically intended for protection of low income people, with affordable products to help them cope with and recover from financial loss.

"Liberalisation of the sector and government schemes has created new opportunities for micro insurance to reach the vast majority of the poor, including those working in the informal sector," says the panel. One big problem is hesitation among the poor to pay now for a future event that might or might not happen, when they face a problem in meeting even daily needs. Also, regular payment of premium for cover continuity is an issue, due to absence of any certainty of income.

The poor also do not perceive many of the existing insurance products to be useful, with the servicing of poor quality. Among other recommendations, the committee has said there is a requirement for waiver of stamp duty on micro insurance, especially for life policies. The stamp duty on a Rs 289 premium of the Pradhan Mantri Jeevan Jyoti Bima Yojana, for instance, is Rs 40 or 14 per cent. Also, a relaxation in capital reserve requirement on micro products for general and health insurers. Plus, pricing flexibility for insurers, wherein they be allowed to revise their pricing within a reasonable range within a year from the date of launch of a product.

The committee has also advocated for paying premiums in daily, fortnightly, monthly or quarterly installments. "We should also explore possibility of allowing the premium to be a defined percentage of a daily wage, with the savings benefit depending on the amount of contribution," it has said. On the distribution front, it says micro finance institutions which are master policyholders need to become corporate agents if they want to earn commissions on the credit life business procured by them. Also, that there is a need for micro insurance products to be simple, so that these could be easily conveyed by the distributor and understood by the customer. Consultations should be held with potential customers at the product design stage. And, that micro insurance be available through small shop owners or business correspondents, to increase the penetration.

(The writer is Subrata Panda.)

TOP

Source

NHAI moves IRDA proposing insurance of road projects - The Economic Times (Delhi edition) – 29th January 2020

The National Highways Authority of India (NHAI) has proposed insurance cover for road projects, in a step that could help bring in credible project developers and mitigate construction period risks.

"We are trying that insurance companies should also give a surety," an official close to the development told ET. "We have proposed to the Insurance Regulatory and Development Authority of India (IRDAI) to come up with an instrument." This mechanism has been proposed since banks are facing difficulties in furnishing bank guarantees, the official said, requesting not to be named.

"This is a new instrument we are working on. We want that the performance obligation of concessionaires is brought under insurance," a second official said. Union minister Nitin Gadkari on Tuesday said he wants road projects to be brought under the ambit of insurance. NHAI is working on the concept of surety bonds, commonplace in several countries, including the US, UK, Australia and Canada. "World over, we have the concept of surety bonds. We are trying to bring that concept to India," the first official said.

A surety bond is a three-party agreement that legally binds together a principal who needs the bond, an obligee who requires the bond, and a surety company that sells the bond. Surety bonds provide financial guarantee that contracts will be completed according to pre-defined and mutual terms. When a principal breaks a bond's terms, the harmed party can make a claim on the bond to recover losses.

While IRDAI is yet to form an instrument for such guarantee, surety could mean huge business for insurance companies in India, one of the officials quoted earlier said. Private investors are most wary of construction period risks, which is the main reason why projects are stalled. Surety bonds can help mitigate these risks, ensuring timely completion of projects, market watchers said.

"With these bonds, the government is trying to make road projects more amenable to private-sector financing," said Arindam Guha, partner and lead government and public sector, Deloitte India. "The government will be able to guard against faulty developers through these bonds," Guha said.

(The writer is Nishtha Saluja.)

TOP

Source

Irdai issues norms to protect group policyholders of merging state banks – Business Standard – 28th January 2020

The insurance regulator has come up with guidelines to protect the interests of group insurance policyholders of merging state-run banks. The regulator said upon the merger of public sector banks (PSBs), group health insurance policies of customers of the merged banks shall continue to be serviced by the insurer till the end of the policy period.

"The insurance companies shall make suitable arrangements with the acquiring banks to this effect," said the Insurance Regulatory and Development Authority of India (Irdai). The regulator has also said the arrangements of the merged banks can be continued with the respective insurance companies for a period of twelve months from the date of merger, subject to willingness of the acquiring bank to function as the corporate agent for the respective insurance firms.

Moreover, Irdai has said a bank in its capacity as a group organizer may have group insurance arrangements with any number of insurance firms. Also, at the end of the current policy period of the group insurance policy, the acquiring bank may continue with the same group insurance policy with the same insurance firm. And, the acquiring bank may also simultaneously continue to have insurance coverage for its existing customers with its existing insurance company. The acquiring bank can also offer this insurance coverage to the customers of the merged bank with the consent of its insurer.

According to the government's merger plan, Union Bank will absorb Andhra Bank and Corporation Bank. Union Bank has a 25.10 per cent stake in Star Union Dai-Ichi Life Insurance, while Andhra Bank has 30 per cent in India First Life Insurance. The bank will, however, have to choose between Star Union Dai-Ichi and India First after the merger comes into effect.

Similarly, Punjab National Bank (PNB), Oriental Bank of Commerce (OBC), and United Bank of India will amalgamate into one, with PNB as the anchor bank. PNB has a 30 per cent stake in PNB Metlife and OBC has 23 per cent in Canara HSBC OBC Life Insurance. Syndicate Bank will merge into Canara Bank and Indian Bank will absorb Allahabad Bank. Canara Bank has 51 per cent in Canara HSBC OBC Life.

(The writer is Subrata Panda.)

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Source

IRDAI defers new accounting norms for insurers – Moneycontrol – 28th January 2020

The Insurance Regulatory and Development Authority (IRDAI) has offered another reprieve to the insurers from the transition of the new accounting standards (Ind AS) from the coming financial year, 2020-21. The implementation of these standards which are comparable to the globally accepted International Financial Reporting Standards (IFRS) is now indefinitely postponed. Earlier, a circular indicated an implementation date of April 1, 2020 for Indian insurers instead of an earlier date. In preparation for the transition, the insurers were supposed to file quarterly pro forma statements with the regulator.

"The circular dated 28th June 2017 stands withdrawn and the requirement of Proforma Ind AS financial statements being submitted on a quarterly basis as directed in the circular stands dispensed with," an IRDAI release said on January 22. At the heart of the new standards Ind AS 104 is one on insurance contracts. Its comparable global standard IFRS 17 is under review. There is likely to be an update on this global standard by mid-2020 by the International Accounting Standards Board (IASB).

The update would address concerns around "accounting treatments, operational complexity and implementation challenges raised by various stakeholders." Hence, if India were to implement the new standards including Ind AS 104, it would necessitate a change soon afterwards. This interim measure would cause avoidable costs.
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And, Ind AS 104 has a cascading impact on other standards too, notably Ind AS 109 which deals with financial instruments. "Implementation of Ind AS 109 before implementation of equivalent of IFRS 17 equivalent may cause volatility in the financial statements because of asset liability mismatch," the press release said.

As the finalization of the crucial standard is pending globally, there is no visibility on exactly when the new accounting norms will apply to Indian insurers. After the standards are finalised globally, they will be done so in India by the Indian equivalent of IASB and only then will the IRDAI be able to act on them. Accordingly, the insurance regulator at its meeting held on December 20, decided to defer the implementation of the new norms indefinitely.

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Source

LIFE INSURANCE

Life insurance industry: expectations from Budget 2020 – Outlook – 31st January 2020

Union Budget 2020 is all set to be presented by Finance Minister Nirmala Sitharaman roughly 50 hours from now. While the entire nation awaits with bated breath, many industry experts see this as an excellent opportunity for the government to announce significant measures that will fuel growth momentum and restore confidence in a slowing economy.

Given the current economic scenario, the country requires a pragmatic budget with a real push for the growth to come back. The time is now right to introduce measures and benefits that protect financial future of the citizens.

World over, the life insurance industry is considered as the bedrock of the financial system and therefore the industry is pinning its hopes on the upcoming budget. The industry is vying for some critical steps, which will directly benefit the taxpayers and industry. The government is expected to promote three key elements - focus on bringing more people under the ambit of life insurance, promote long-term savings and encourage capital formation.

Launch Credit-Enhanced Infra Bonds
Government requires a large amount of money for boosting infrastructure, and insurance companies can provide such large long-term investments. Towards this end, insurance companies want to invest in long-term credit worthy papers. In this light government should have a relook at the minimum investment criteria in government and state securities, which can be relaxed to accommodate credit, enhanced infra bonds. The cap can be judiciously used between government state securities and credit enhanced infra bonds providing additional avenues for insurance companies to invest. This step will hold merit for the investments required by the government for boosting infrastructure while benefitting policyholders as well.

Allowing Investment in Foreign Assets
Section 27C in The Insurance Act, 1938 allows retail customers to put their money in foreign assets. However, life insurance companies who are the custodians of these customers' money are not allowed to do so. This budget should allow the same, which will help insurance companies, diversify their portfolio across domestic and global assets.

Parity between Pension Products Offered By Insurers and NPS
The additional contribution of Rs 50,000, which is available for National Pension Scheme (NPS) as tax benefit, should be made available for pension products offered by life insurance companies as well. Currently, salaried individuals can take advantage of this benefit by investing in NPS. Extending the same to life insurance pension products will allow people more avenues and diverse range of products to choose from, thereby fully utilizing the extra Rs 50,000 benefit.

Taxation on commuted value of pension products offered by life insurance companies should be at par with NPS. Currently, full 60 per cent commuted value for NPS is tax-free. While, for pension products offered by life insurance companies, though the commutation of 60 per cent is allowed only 40 per cent is tax-free.

Exemption for First-Time Buyers
In a country with inadequate social security, protection offered by life insurance is inevitable; however, lack of its penetration is plaguing the industry. Meaningful incentives like introducing separate deduction of Rs 50,000 for first time life insurance buyers will generate more demand for life insurance policies.

Encourage Purchase of Pure Protection Plans
An additional capping of Rs 50,000 for someone purchasing a pure protection (term) plan will augur higher coverage of life insurance in the country putting its penetration on a faster track. A term plan eliminates financial burden of a family in case of an untimely death of the earning member by acting as an income replacement tool.

Empowering Women Financially
Another important move would be to encourage women to insure their lives and savings. Extra tax benefit for women policyholders will be a significant step.

Policyholders' Annuity to Be Made Tax Free
Insurance is for people who die too early or live long enough. In the current tax environment dying too early is protected and tax benefit is provided, whereas, there is no such benefit for individuals living long enough. Therefore, the annuity given to policyholders should be tax-free. For participating policies, this surplus, which is distributed as bonus, should be exempted from tax.

These measures will pave the growth path for the Life Insurance sector, besides increasing the security net of the nation's people at a very low cost. Let alone promoting the habit of long-term savings, such steps will provide long-term funds for the government to boost overall economic growth of the country.

(The writer is Kamlesh Rao.)

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Source

Waive GST on life insurance policies, says AIIEA - The Hindu – 30th January 2019

At the ongoing 25th National Conference of All India Insurance Employees Association, the members resolved to demand the withdrawal of GST from life insurance policies, here on Wednesday.

M. Girija, Joint Secretary of AIIEA, pointed out that the Union Government has not imposed GST on other savings models such as fixed deposits or mutual funds, but is imposing GST on life insurance policies that vary from 2.5% to 18%. "Even insurance policies are savings and they cannot be treated differently," she said.

The members voiced their disapproval against the disinvestment in LIC. They were of the opinion that LIC being the largest government-owned insurance company, the proposal of disinvestment should be shelved.

"From an invest of ₹5 crore in 1956, the company has grown phenomenally and today has an asset value of over ₹31 lakh crore. Its solvency rate is over 158%, so where is the need to privatise it?" asked K. Venugopal, president of South Central Zonal Insurance Employees Federation.

He further added that about 82% of its revenue is invested in government schemes and 85% of its surplus is invested in government equity. "Privatization will not benefit either the corporation or the government, so why is this bill being mooted?" he questioned.

AIIEA has also taken a decision to oppose the disinvestment in three general insurance PSUs. "There is a move to merge the three government-owned general insurance companies such as United India Company, The National Insurance Company and Oriental Insurance Company and then privatise them. We welcome the merger but not the privatization," Mr. Venugopal said.

Moreover, the members were of the opinion that in the government-owned insurance companies including LIC, people are the major stakeholders, and hence there is a need to involve the public and take their opinion on disinvestment before the bill can be tabled.

AIIEA has also decided to urge the Union Government to increase the exemption limit of insurance policies for filing Income Tax returns.

“People invest in insurance policies and the amount is utilised by the government in building infrastructure. Keeping this in mind, the government should increase the exemption limit, which would encourage people to invest more. The amount can be utilised for nation-building,” Ms. Girija said.

The four-day conference will end on Thursday, and a draft resolution copy will be handed over to the Union Government.

(The writer is Sumit Bhattacharjee.)

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Source

Planning to buy a child plan? Here is the list of things to look at before opting for one – Financial Express – 30th January 2020

Various insurance companies offer child plans. While some of these plans are traditional plans that invest the investors' premium only in debt funds, others are market-linked policies that allow policyholders to invest in both debt and equities.

Rakesh Goyal, Director, Probus Insurance Broker, says “Every parent wants to give the best of education to their child, but rising education cost and inflation make it quite a challenge. Having a child plan helps you to build a corpus to fulfill their dreams when they would need the most”. Before opting for a child plan, one should consider the range of events for the child such as their education, hobbies, sports, etc. and make provisions for them. A child's plan offers guaranteed payouts for financing the child's education and hobbies so they can lead a comfortable life ahead. This way, the child's needs are taken care of even if the parents are not around. When compared to traditional investment avenues such as PPF or FD, child plans are known to offer greater returns. However, choosing a suitable child plan is not easy.

Here are some factors you should consider while buying a child plan;

Start early

Starting early with these kinds of investments secure the future of the child early on. This plan provides a long horizon to invest, helping the investor to periodically build wealth. Hence, experts suggest one should preferably choose a plan that encourages long term investment.

Choose the right plan

The goals and ambitions of every child are unique and vary, hence, opt for a plan that suits their needs and goals. This will help you have the proper financial planning in place to help your child fulfill his/her dreams.

High-risk appetite

Go for equity-linked plans if you have a risk appetite. Along with that try to consider a considerable time frame of at least 10 years and above. Long-term equities tend to give good returns, and this way your investment will grow. Experts suggest a child plan should have a balanced mix of both debt and growth fund along with risk cover. Hence, look for a plan offers both.

Low-risk appetite

If you don't have a risk appetite goes for endowment plans. Investors who do not like taking a risk on their investment should opt for an endowment plan. This will not only give them an adequate cover but also ensure protection against volatile market conditions.

Benefits of a child plan:

Safety net

In case of an unforeseen event, having a child plan ensures that the child is financially protected.

Goals remain unaffected

Similarly, in case of death or disability of policyholders, such child plans make periodic payments and provide for the child's goals. These policies also come with an in-built waiver of premium, wherein if anything happens to the policyholder, the future premium for the policy is waived off.

Flexible policy

These policies offer multiple risk covers and payout options along with flexible policy and payment terms. You can choose to either pay the regular premium, under which you can pay the premium on a regular basis, (annually, semi-annually, or quarterly) or choose the single premium option, under which you make the premium payment only once.

Tax

Child plans offer tax benefits on death or maturity claim profits under section 10 (10D). Additionally, the premium paid is also eligible for tax deduction under section 80C of the Income Tax Act, 1961.

(The writer is Priyadarshini Maji.)

[TOP]

Source

LIC & Other Insurance Firms Are Changing Guidelines From February 1st: 6 Things You Should Know – Trak – 30th January 2020

New Insurance Policy Guidelines

The Insurance Regulatory and Development Authority of India, (IRDAI), has asked insurers to make changes in Ulips and traditional life insurance policies.

In this instruction, the IRDAI has asked for some changes including, Time period within which a policy can be revived has been increased from two to three years, the sum assured for buying Ulips reduced from ten to seven times the premium paid, withdrawal limit of pension plans increased to 60 percent, surrender value norms revised to benefit policyholder, and standardised partial withdrawal limit, i.e., you can now partially withdraw thrice during the entire policy tenure.

How Will These Changes Benefit Policyholders?

Let's have a closer look at each of these changes and how they will impact a policyholder.

How Increase In Time Period Allowed For Policy Revival Will Help Policyholders?

As per the new guidelines, IRDAI has asked insurers to increase the time period allowed for the revival of life insurance policies. To comply with the 'revival of policy' provision, insurers have to increase the time period allowed for the revival of Ulips to three years from the date of the first unpaid premium. At present, you get 2 years to revive your policy. For non-linked insurance products, the time period allowed for the revival of policy will be five years.

According to Santosh Agarwal, Chief Business Officer- Life Insurance, Policybazaar.com said "This is one of the best changes that has been introduced since it takes care of the insured's interest and their financial conditions," said Agarwal. For example, if you have not been able to pay premiums and discontinued your life insurance policy because of financial exigency, you will now get an additional year to revive that discontinued policy.

How The sum Assured For Buying Ulips Reduced From 10 Times To 7 Times The Premiums Paid Will Help?

The terms and conditions of buying Ulips will become uniform across all age groups from February 1 and the minimum sum assured for buying Ulips for a policyholder below the age of 45 years will be reduced from ten times to seven times the annual premium paid.

Till now, only those above 45 years of age are eligible to buy Ulips with sum assured less than 10 times of annual premium. Although, going for a lower sum assured, that is, less than 10 times of the annual premium paid will not help you avail tax benefits.

Currently, you can avail tax benefit on policies which have a sum assured of 10 times the annual premium or more. According to Aalok Bhan, Director and CMO, Max Life Insurance, to bring in greater convenience to policyholders, Ulips will be available with a risk cover equal to 105 percent of the total premiums paid (incase this amount is higher than sum assured and fund value) on the settlement period.

He added "Additionally, you now have the option to reduce premiums up to 50 percent of the original annualised premium after the end of the five-year lock-in period, offering convenience to you (policyholder) if you are not able to pay up the larger premium due to any financial exigency,".

How Pension Plans To Benefit The Policyholder?

As per the reports, the insurer offering a mandatory guarantee on maturity proceeds on pension plans will now become optional.

Currently, insurers have to offer guarantees on maturity proceeds, that means that they have to invest in debt instruments to give guarantees on maturity proceeds, which in turn lowers the potential return on investment.

Which is one of the reasons why Ulip pension plans have lost relevance in the case of deferred annuity plans. Basically a unit-linked deferred annuity insurance plan is an insurance contract where an insurer promises to pay the policyholder a regular income, or a lump sum, from a pre-decided future date.

To gain the benefit, the insured has to pay a sum (premium) at regular intervals till the annuity matures. With the new rule implementation, policyholders can decide whether they want assured returns. This new rule will allow the policyholder to opt for the possibility of earning a higher return on their investment by choosing the 'no guarantee option' and by asking the insurer to increase equity exposure in the policy.

Although, it is to be remembered that any equity investment comes with zero guarantee of returns or capital, therefore when one chooses the 'no guarantee option', there is no guarantee of the capital or returns.

In case you have a long-term financial goal, you can ask the insurer to invest a higher amount in equity and take the risk of 'no guarantee' to try to create a bigger retirement corpus. On top of this, the new guidelines also give a policyholder the option to extend the accumulation period or deferment period within the same policy with the same terms and conditions up till the age of 60.

"Consumers can now look at building a larger corpus where they can now also initiate partial withdrawals only thrice during the entire policy term up to a maximum of 25 percent of the fund value, the partial withdrawal limit wasn't fixed earlier by the regulator," Bhan said.

How Withdrawal Limit From Pension Plans Increased To 60 Percent?

In lieu of improving the flexibility and liquidity for policyholders, insurers are now mandated to allow beneficiaries to withdraw a larger lump sum of 60 percent at vesting, surrender or death, as opposed to the current 33 percent.

Although, when you withdraw a lump sum from pension plans, only one-third of the corpus will remain tax-free (as is the case now), not the entire 60 percent. According to Bhan, the additional liquidity allows policyholders to withdraw the corpus from the pension fund for major life milestones, or even in case of treatment of critical illnesses.

Additionally at the time of policy maturity, policyholders can purchase an annuity from insurers other than from whom they have originally bought the pension plan. "Up to 50 percent of the corpus can be utilised to buy pension plans from insurers who guarantee better returns. This way, it will attract those customers who were previously averse to purchasing retirement and pension products due to low lump sum withdrawals, as compared to other pension options," Bhan added.

How Surrender Value Norms Revised To Benefit Policyholders?

As per the new changes, the surrender value norms are to become more favourable for policyholders. Surrender value is basically the amount you stand to get when you decide to make a premature exit from the plan, i.e. when you have decided to completely withdraw or terminate the policy before its maturity.

"In the case of a traditional life insurance policy, if for some reason the policyholder plans to terminate his policy, one doesn't have to wait three years for their policy to acquire a guaranteed surrender value, instead one can now terminate the policy after the second year. This means, if a policy is terminated after 2 years from its commencement, then a fixed sum of up to '30 percent of the total premiums paid less any survival benefits already paid' will be given to the policyholder.

Similarly, you get '35 percent of the total premiums paid less any survival benefits already paid' if you surrender the policy after 3 years, and for the 4th to 7th year it will increase to 50 percent," said Agarwal.

Moreover, if the policyholder surrenders the policy between the last two years before the policy matures, the regulator has asked the insurer to pay '90 percent of the total premiums paid less any survival benefits already paid' to the policyholder.

How Standardised Partial Withdrawal Limit Will Affect?

With the new changes, the policyholder can now partially withdraw thrice during the entire policy term up to a maximum of 25 percent of the fund value at the time of withdrawal, linked to defined life events. These life events vary from partial withdrawal for higher education, children's marriage or critical illness (self and spouse) or buying or construction of a residential property.

Although, no partial withdrawal will be allowed in case of 'Group Unit Linked insurance plans'. Currently, there is no fixed limit on the amount that the policyholder can partially withdraw. It differs across insurers and life insurance policies. Though, one must know that partial withdrawal will only be allowed after the completion of five policy years.

In the event of such partial withdrawal, no exit load or surrender charges will be applicable on the policy. As the regulator has capped the partial withdrawal at thrice during the entire policy term, you will now be able to build more corpuses for your retirement.

Although, Naval Goel, CEO, PolicyX.com said that policyholders should not forget that partial withdrawals have a bearing on the insurance cover in the base policy as well. These partial withdrawals are paid by cancelling the units on the day the insurer receives the withdrawal request. "However, if the request is received after 3 pm, then the net asset value (NAV) of the next working day is taken while cancelling the units," he added.

(The writer is Sheetal Bhalerao.)

TOP

Source

Term insurance: points to keep in mind while opting for a term insurance plan – Financial Express – 29th January 2020

In times of crisis, term insurance plans act as a savior by providing financial protection to the dependents of the deceased. This helps the dependents tackle any adversities that may come upon them. Under a Term Insurance Plan, in case of the unfortunate death of the policyholder, the benefit of the policy is paid to the nominee.

Term plans offer financial protection against untimely death, which is classified into various categories by insurers. Based on the type of deaths, which is included in the policy or not, the insurance company declines or pays the death benefit to the policyholder's nominee.

When planning to buy an insurance cover, the policyholder will have to deal with several variables: such as age, tenure, current health, benefits he/she wants at maturity, etc. The pay-out of a term insurance policy can be chosen by the policyholder while buying the term insurance policy, which can be either in monthly installments, lump-sum, or both.

Here is a guide to help identify the term insurance plan that is right for you;

Dependents

The number of dependents the policyholder currently has needs to be mentioned, as in who all will need the insurance money if something were to happen to the policyholder. For younger policyholders, with no personal liabilities, their term insurance plan may be able to support his/her parents or an earning partner. However, if there are parents as well as a family to look after, these factors should be included while buying the insurance cover.

Sum assured

The policyholder needs to calculate his/her income, the expenses of the family members, the cost of education for children in the family, etc. while deciding the sum assured. Also, policyholders need to account for inflation.

Factor in Age

While determining the premium payable, the age of the policyholder plays a key factor. The older the policyholder gets, the higher his/her premium cover goes per year. Hence, to catch a lower premium, try to buy insurance at an early age.

Insurance premium

While coming to a conclusion about the insurance premium, the policyholder should consider his/her current monthly income and expenses. Experts say the policyholder should be comfortable making the premium payments, without stress his/her finances.

Tax benefit

Policyholders can avail tax benefits under Section 80C of the Income Tax Act, 1961. A deduction of Rs 1.5 lakh from taxable income can be availed by the insured.

Tenure of policy

Policyholders buying insurance at a later stage in his/her life should be careful with the tenure of the policy. Experts suggest the insured should make sure that he/she will be able to carry on paying the premium of their life insurance term policy after growing expenses and at the later stages of his/her career.

(The writer is Priyadarshini Maji.)

Source

TOP

Insurers seek more boosts for women, tax incentives in Budget 2020 – The New Indian Express – 28th January 2020

India's life insurance industry wants Union Finance Minister Nirmala Sitharaman to raise tax incentives in the upcoming Union Budget 2020-21. They also seek additional provisions for women to encourage their participation.

“We request the Finance Minister to consider a separate deduction to be provided for premium paid on individual life policies. If no separate deduction is provided, the existing limit of Rs 1,50,000 under Section 80C should be enhanced to Rs 3,00,000,” said S N Bhattacharya, secretary, Life Insurance Council. Quite recently, he had called on the Finance Minister in New Delhi on the issue.

Life Insurance Council, the official representative of the life insurance industry that generated over Rs 6 trillion of premium in FY 2018-19, has also recommended that in order to reduce the gap between taxation of pension policies issued by life insurance companies and the National Pension Scheme (NPS), the additional deduction of Rs 50,000 for premium paid, as available for NPS, should be extended to pension policies issued by life insurance companies.

“Collectively as an industry, we see a lack of parity in the tax treatment of pension products of life insurance firms and pension products under NPS. Both the products have a similar objective of building long-term savings for meeting retirement goals. Hence, this disparity should be addressed,” said Tarun Chugh, MD and CEO, Bajaj Allianz Life.

Another important move would be to encourage women to insure their lives and savings, said Kamlesh Rao, MD and CEO, Aditya Birla Sun Life Insurance. “Extra tax benefit for women policyholders will be a significant step. Moreover, relaxation of Section 10(10)(D), where minimum sum assured is required to be 10 times of the annual premium, will be a desirable move.”

RM Vishakha, MD and CEO, India First Life Insurance, said that an appreciation of economic value contribution by women will automatically lead to an improvement in the sum assured in insurance. Insurers also opined that lowering rate of GST at 12 per cent (with input tax credit benefit) will be beneficial for both policyholders and companies.

(The writer is Pradeep Pandey.)

Source

TOP

Q3 results of life insurers: Continued focus on growth drivers - The Hindu Business Line – 27th January 2020

It was business as usual for life insurance companies in the latest December quarter.

Continued focus on growing the protection business, diversifying the product and distribution mix, improving cost efficiencies and profitability, and product innovation through IRDAI’s Regulatory Sandbox route, were the key highlights of the December quarter performance across the three listed players — HDFC Life, ICICI Prudential Life Insurance and SBI Life.

Value of new business

By focussing on the protection business, life insurance players have been driving the value of new business (VNB) — a key measure to assess the financial performance of insurers. Essentially, VNB is a measure that values future profit streams of the new business written during the year.

In the December quarter, ICICI Prudential Life Insurance continued to focus on its protection business. The insurer’s VNB grew by a strong 24.7 per cent y-o-y in the nine months ended December quarter. This was driven by a robust 66 per cent growth in protection APE (annualised premium equivalent).

Its VNB margin shot up to 21 per cent as against 17 per cent in the corresponding nine-month period of the last fiscal. Even as the performance in the company’s linked business (unit-linked insurance policies -

ULIPs) was weak, the strong growth in protection and a healthy growth in non-linked savings businesses aided the overall performance. In 9MFY20, ICICI Pru Life's overall APE grew by a modest 1.2 per cent, owing to a fall of 14 per cent in ULIPs. The share of ULIPs has fallen sharply to 68.5 per cent of APE as of December quarter, from 79.6 per cent in March.

A strong growth in protection business saw its share in the overall APE go up to 14.1 per cent in December from 9 per cent in March. Within protection, retail continues to dominate the mix. Non-linked savings growth was primarily led by participating and annuity businesses. Participating business saw a robust growth of 38 per cent, contributing more than 11 per cent to the total APE. Annuity APE, too, on a low base, nearly doubled in the nine months vis-a-vis last year.

Persistency

On the persistency front (the number of policies or the amount of premium retained with an insurer across different time periods), there has been a dip across buckets (except the 49th month).

In the 13th month, persistency dipped to 83.1 per cent from 84.6 per cent in FY19. The management attributed the decline in persistency to the linked business. The company is taking efforts to improve persistency.

Branching out

On the distribution front, the company continues to focus on diversification. The share of non-bancassurance channels went up to about 47 per cent in the nine months ended December from about 44 per cent in FY19.

Within the bancassurance channel, the focus on growing the protection mix has continued. In the case of corporate agents and brokers, the insurer has focused on protection and non-linked saving segments, which has paid off. It has also tied up with various non-traditional distributors such as web aggregators, payment banks, small finance banks and insurance marketing firms.

For SBI Life, a strong growth in new business premium, an improvement in VNB margin and continued focus on product diversification, have been key positives. The life insurer reported a strong growth in gross written premium (GWP) and new business premium (NBP), of 33 per cent and 35 per cent, respectively, in the nine months ended December 2019.

The growth in NBP was led by protection, annuity and individual non-par savings businesses. Protection NBP increased 37 per cent y-o-y in the nine months (though there was some moderation in growth in the December quarter). Renewal premiums, too, grew by a strong 31 per cent y-o-y. The insurer's VNB grew 27 per cent y-o-y, with an 80 bps expansion in VNB margin to 18.3 per cent.

SBI Life's diversified product portfolio has aided its growth. The individual savings business currently forms 63 per cent of the NBP; within that, ULIPs are about 47 per cent. SBI Life's 13th-month persistency has marginally improved to 85.7 per cent (85.1 per cent in FY19), as also its 61st-month persistency to 58.5 per cent (57.2 per cent in FY19).

Its operating expense ratio has also improved, falling to 6.1 per cent from 6.9 per cent in the nine months of the last fiscal. During the period ended December 31, 2019, the company classified its investment in DHFL bonds as NPA. A provision of Rs. 157 crore under unit-linked funds and Rs. 113 crore under shareholders funds have been recognised.

HDFC Life held its strong performance in the nine months ended December. The insurer's individual APE grew by a strong 31 per cent y-o-y while the NBP grew 22 per cent. The strong response for its Sanchay Plus product — a non-par savings product — in the June quarter, had led to a spike in the share of non-par business.

Non-par constitutes 47 per cent of the individual APE, as of December, up from 15 per cent in FY19. However, the share of non-par has fallen substantially, from 54 per cent in the September quarter. The management expects the product mix to be more balanced by the end of FY20.

Healthy growth
As such, the growth in other segments remains healthy. The total protection APE has grown 32 per cent in 9MFY20. The annuity business grew 10 per cent based on the NBP. The VNB grew by a robust 45 per cent in the nine months ended December; the VNB margin expanded by a tidy 260 bps y-o-y to 26.6 per cent in the nine months ended December, though there was moderation in margins from the first half of the fiscal.

HDFC Life has also been diversifying its distribution mix. The agency channel witnessed a growth of 66 per cent (in terms of individual APE); the direct channel also saw a robust 57 per cent increase.

(The writer is Radhika Merwin.)

Source

TOP

Life insurers maintain growth but valuations are coming under the lens – Mint – 27th January 2020

The performance of listed life insurance companies for the nine months ended December seemed to largely justify their valuations. But concerns have emerged that the stocks may have outrun the performance of their companies.

A case in point is HDFC Life Insurance Co. Ltd. The private sector life insurer's stock trades at a multiple of 5 times its estimated embedded value for FY20. Shares have gained 58% so far in FY20 and the insurer has returned an impressive 109% to investors who picked up its share through the initial public offering in 2017. HDFC Life's value of new business margins has been the key reason behind the valuations. For April-December, the insurer reported a margin of 26.6%, superior to that of SBI Life Insurance Co. Ltd and ICICI Prudential Life Insurance Co. Ltd.

Even so, HDFC Life's margins dropped on a sequential basis and analysts expect a further reduction. "Overall growth was impressive, but we expect margins to moderate going forward," said analysts at Jefferies India Pvt. Ltd, adding that margins could normalize to 25%.

Margin moderation is expected for SBI Life and ICICI Pru Life as well. The reason is that the share of market-linked products and return-guarantee products are on the upswing. Jefferies India said this was an opportunistic play that could hurt insurers in the long run. Guarantee products do well in a falling interest rate scenario, but carry a risk when interest rates turn. Ergo, it will be tough for life insurers to push products in competition with bank deposits, going ahead.

That being so, analysts also said that new business growth will continue to remain high and the increase in protection business will support margins. Life insurers have hawked term plans aggressively and this is paying off for them. The share of protection products for all three insurers has risen sharply in the nine months under consideration.

As far as new business growth goes, SBI Life trumped the competition. The insurer reported new business premium growth of 35%, far higher than that of HDFC Life and ICICI Pru Life's 22% and 20%, respectively. "Management guidance, as well as monthly business performance, indicates no major stress in demand across categories driven by well spread distribution and lower ticket size compared to prominent peers," said ICICI Securities in a recent note on SBI Life. That the SBI Life stock trades at a modest multiple compared with HDFC Life is also helping.

Finally, life insurers have been able to sell their wares faster, but have their customers stuck to them? A comparison of persistency ratios of the three life insurers shows that customers tend to stick with SBI Life for a longer period. The second largest life insurer's 61st month persistency ratio was 58.5%, compared with HDFC Life's 53% and ICICI Pru Life's 56.3%.

(The writer is Aparna Iyer.)

Source

TOP

Endowed with benefits – The Hindu – 26th January 2020

We are going to look at a policy with a defined term and with a maturity or survival benefit: an endowment policy.

The 'bonus' is that it offers a bonus as well, a sharing of the investment profit of the policy premium by your insurance company. The bonus is for those who opt for a with-profit policy and has its own terms and conditions.

Though it was not always popularised with this name, the endowment policy is the most commonly known life insurance policy in India. We are all familiar with policies pitched as financial plans targeting a specific life event or goal, like funding a child's wedding or higher education. Those would usually be endowment policies.

The policy maturity is timed for this event and the maturity value, sum assured (SA) plus bonus, if any, will be available right in time for it. This is in addition to the basic value that, should the policyholder die before the maturity date, the SA and accrued bonuses, if any, will be paid as the death claim. While this SA is guaranteed, the bonus or its quantum, you should note, are not.

Past-year bonuses can be a guide but no guarantee. A typical scenario would look like this. A 28-year-old man would like his new born son or daughter to have an assured cushion of funding for higher studies when passing out of higher secondary or Class 12. His target would be an endowment for 17 years with a sum assured of, let us say, ₹10 lakh.

Policy premium

The premium for the policy depends on three factors. The age of the life assured, the term of the endowment and the SA. With various companies, it is around ₹55,000 to ₹60,000 a year. The health status of the proposer is also an important factor. An endowment policy has various features. The core is insurance against the risk of death, the second is a survival or maturity benefit and a third feature is investment returns, or the savings part of the policy.

The term policy has only the first function. So, the endowment policy premium is higher than a comparable term policy premium to pay for the added benefits.

While considering the asset creation function of an investment, life insurance policies have a great advantage over regular savings like deposits and so on. The entire asset gets created the moment the policy starts, thus protecting against the greatest downside of dying too soon. The caveat is, the policy has to be kept in force by paying the premiums on schedule or the advantage will be lost. Added benefits of taking this route for savings and asset creation is that the premium has a tax benefit and the policy proceeds are tax-free, both when it is a maturity claim or a death claim, a considerable advantage indeed. Popular policies are HDFC Life Endowment Assurance Policy, LIC New Endowment Policy and SBI Life Smart Bachat.

As with many life policies, you can opt for various riders right at the beginning such as accidental death rider, critical illness cover, disability rider or the waiver of premium rider. Many buy a life insurance policy looking at it in isolation. A better way is to see and compare the range of policies available and pick the best suited to your situation and needs. In this process of familiarizing you with various types of policies we will look at unit-linked insurance policies in the next instalment of Cover Note.

(The writer is K. Nitya Kalyani.)

Source

TOP

Rushing to buy insurance now? Don't end up with a wrong policy – Financial Express – 25th January 2020

Life insurance companies earn around 50% of their annual premium income in the fourth quarter of the financial year. This is not just because insurers become more active during the last quarter but the demand for life insurance and health insurance also picks up during January to March every year.

The reason is that individuals look for suitable investment options for saving income tax under Section 80C of the Income Tax Act, which provides rebate on amount of premium paid to up to Rs 1.5 lakh among other options.

Every year young people find employment and at least 15-20% of those who join the organised sector earn taxable income. Again, a large chunk of population enter the tax bracket by virtue of increase in salary/income and other taxable compensations. Such segments are most vulnerable to miss-selling or uninformed buying of life insurance products.

Many a youngster would be anxiously looking for a product for investing around Rs 1 lakh a year to save taxes. In such a scenario what happens is the irrational selection of life insurance products, sometimes just the opposite of what somebody really needs as a tool of life insurance protection.

There are several instances when they are sold Ulip products promoted as an "excellent investment instrument", without sharing knowledge of the expense ratio, mortality cost and the appropriateness of time for entering the market.

Many a time a large chunk of money is spent for buying very little insurance cover whereas the young buyer needed to have a large sum assured term insurance plan for protecting the financial needs of his dependents, a young wife and children or the old parents without income of their own.

Life insurance is a long-term contract. It may appear easy to enter into such contract with an insurance company but traditionally exiting a life insurance contract is very difficult. If someone unilaterally terminates the contract then most of the time he forfeits a large share of the amount deposited as premium or sometimes the entire amount.

They file complaints with the Ombudsman or the consumer forum only to learn that as per the terms and conditions of the policy only a small sum or no sum is payable. In their haste and anxiety to save tax under Section 80C which provides for several alternative avenues also, many people take wrong decision or get misled by unscrupulous intermediaries. In the process they lose more than what they gain as 20 to 30% of the premium paid as income tax relief.

Insurance for financial planning

A person who buys a wrong policy in haste cannot just blame an insurer and keep away from life insurance for the rest of his life. He will continue to need life insurance and will once again buy a policy. But the second time he is expected to be wiser. The terms and conditions of each product must be fully understood before signing the proposal form.

If need be, more than one plan can be bought and the sum assured, premium and tenure of policy could be so adjusted as to maximise tax savings. For adequate evaluation of life insurance requirement and systematic planning in respect of products the time available for anyone is the entire year. Hence one should avoid getting swept away by the deluge in the last quarter.

(The writer is Kamalji Sahay, former MD & CEO, Star Union Dai-ichi Life Insurance.)

Source

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GENERAL INSURANCE

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

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

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

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

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Source

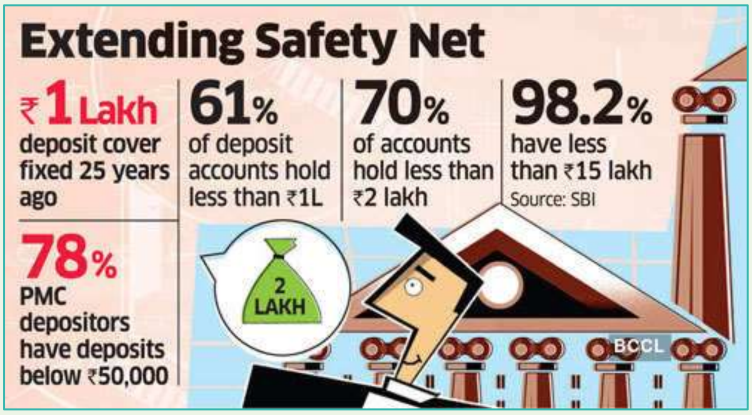
Bank deposit cover may be doubled to Rs 2 lakh - The Economic Times – 31st January 2020

The government is discussing a proposal to double the insurance cover on bank deposits to Rs 2 lakh and an announcement to this effect may be made in the February 1 budget, said several people with knowledge of the matter.

The move comes after the government and the Reserve Bank of India (RBI) faced flak over their handling of the closure of Punjab & Maharashtra Co-operative Bank (PMC), which downed shutters in September last year, leaving thousands of depositors high and dry.

The government is expected to bring about these changes through an enabling amendment that would increase the deposit cover in the future without tinkering with the Deposit Insurance & Credit Guarantee Corporation (DICGC) Act.

"Looking at the aftermath of the PMC Bank crisis, doubling of the deposit cover will be a much-anticipated breather for bank deposit holders," said Ashvin Parekh, proprietor of Ashvin Parekh Advisory Services. "The only challenge to my mind is who will now bear the added cost of a higher insurance premium?"



Safety of bank deposits took centre-stage after the collapse of PMC Bank. Currently, the DICGC Act, 1961, provides deposit insurance of up to Rs 1 lakh and the rest of the amount is forfeited in the event of a bank failure. This compensation was last fixed more than 25 years ago.

The government is also considering proposals on allowing emergency access to deposit insurance when a bank fails, inflation indexation of the insurance cover and risk-based pricing of the insurance premium depending on the health of the financial institution.

"The biggest bone of contention is higher premium payout if the deposit cover is raised. I think banks will have to bear the burden of that, but at least they should consider forcing less robust institutions to pay a higher premium cover," said a senior banking official.

Many Requests Made to Raise Limit
RBI data showed more than 78% of PMC Bank depositors had deposits below Rs 50,000. As per an SBI analysis, 61% of the total deposit accounts in India are under Rs 1lakh, around 70% are under Rs 2 lakh and 98.2% are under Rs 15 lakh. There have been several calls to raise the deposit cover.

The issue had come up at the time of the Financial Resolution and Deposit Insurance Bill, which the previous government introduced in 2017 and then withdrew the next year. Data on Cross Country Deposit Insurance Coverage limit shows that deposit insurance coverage in India is one of the lowest at $1,508 as against $250,000 in the US and $111,143 in the UK.

(The writers are Saloni Shukla and Sachin Dave.)

TOP

Source

Real Estate: How title insurance can help home buyers - Financial Express – 31st January 2020

To protect the interest of home buyers and other parties involved in a property transaction, against issues related to the title of a property, The Real Estate (Regulation and Development) Act (RERA) has mandated developers to buy title insurance.

It is a tool to mitigate the risks related to the transfer of title of a property—the instrument that provides evidence of a right in the property and its legal ownership. When purchasing a property from a developer you usually check the terms mentioned in the agreement but rarely do you get access to the original mother deed to verify the 'chain of title transfer', which is a crucial document.

Also, sometimes, there are multiple owners of the land and therefore, the 'legal heir ship certificate' may also become essential to verify the authenticity of the title. Ideally, the buyer's attorney should check the property's title to ensure that there is no defect or forgery in it. However, very often, buyers do not have access to such documents nor have the knowledge or financial wherewithal to carry out such due diligence.

Title insurance for protection
Even if a buyer manages to conduct a detailed due diligence, there is always a chance of an error or not identifying a defect in the title of the property, which can jeopardise the interest of home buyers and lenders.

Title insurance protects the buyer of the property against the risk related to a problem in the title of a property, which couldn't be identified despite the performance of reasonable due diligence. Like any other insurance product, one has to pay a small premium at the time of purchasing the property that allows title risk to be passed on to the insurer.

Title insurance protects different parties in a property transaction, i.e., developers and then the subsequent home buyers, from the loss due to title-related issues. Title insurance covers financial losses suffered by the developer, landowners, lenders, housing society, or any other eligible policyholder due to the defect in the title of the land and legal expenses incurred to settle the title dispute. Policies available in the market, currently, offer cover for a period of 5-15 years. The premium is payable in one shot for the entire coverage period.

Title insurance and RERA
RERA mandates developers to get title insurance for their projects. Hence, all new projects as well as ongoing projects when the law came into force are required to be covered by title insurance. Developers are required to buy title insurance before handing over any project to the housing society or association.

The title insurance should then be transferred to the housing society before the developer exits the project after its completion. However, until now, there is no clarity in the process of transferring such title insurance to the society, and only recently has IRDA indicated that it would soon come out with guidelines on the transfer process and ensure uniformity in the title insurance products available in the market. Title insurance enables home buyers to protect their interest in the project's land, which constitutes a big portion of the total cost of the property that they acquire from the developer.

(The writer is Dhruv Agarwala.)

Source

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Gross premiums of non-life insurers grow 15% to Rs 1.42 trillion - Business Standard – 29th January 2020

Non-life insurers recorded 15 per cent growth in gross premiums underwritten at Rs 1.42 trillion in April-December 2019, against Rs 1.23 trillion in the same period last fiscal year. While the gross premiums underwritten by private non-life insurers grew by 17 per cent to Rs 69,488 crore, that of the state-owned non-life insurers grew by 12 per cent Yoy to Rs 62,954 crore. On a standalone basis, the health insurers showed impressive growth, with gross premiums rising 32 per cent to Rs 9,677.02 crore in the period versus Rs 7,314.41 crore in year-ago period.

(The writer is Subrata Panda.)

Source

TOP

Budget ideas 2020: Give tax sops on home insurance, hike tax breaks on health policies – Financial Express – 29th January 2020

Union Budget 2020 India: This year's Union Budget holds much significance, as the country experiences multiple headwinds at the domestic front and uncertainty at the global level. Then is the need to ensure growth and employment opportunities for the burgeoning young and middle-class population.

The year 2019 recorded economic losses of more than Rs 2,700 billion due to floods across states in the country, with the insured losses being only around 8% of the total losses. As a nation, we continue to witness low insurance penetration with non-life insurance at 0.9% of GDP. Given this scenario, the need of the hour is for policymakers to balance growth measures with appropriate risk mitigation initiatives for a sustainable long-term development. When it comes to the non-life insurance sector, key segments, i.e., health, motor and home insurance need to be focused on.

Increase tax deduction on health insurance premium
India is grossly under-penetrated when it comes to health insurance. As per the National Family Health Survey, less than one-third (29%) of the households have at least one member covered under health insurance. Medical inflation in India has been rising at an alarming rate, and average retail healthcare inflation in the country stood at 7.14% in 2018-19. Given the scenario, it's important for all to be protected with adequate health insurance.

Increasing tax deduction on health insurance premium can bring more people under its ambit. Currently, health insurance premiums up to Rs 25,000, paid for self, spouse and children, qualify for tax deduction under Section 80D. At the same time, one can seek an additional deduction up to Rs 50,000 for parents above 60 years age group. An increase in exemption limits will incentivize a larger number of people to avail health insurance benefits and boost health insurance penetration.

One needs to also address the problem of under-insurance. Currently, the average sum insured for health insurance policies stands at Rs 5 lakh. As lifestyle diseases emerge and medical inflation rises, it is important that we introduce measures to push customers to increase their health insurance cover to at least Rs 10 lakh. Providing exemption on the premium paid towards health cover will encourage customers to avail of higher sum insured policies.

Support auto sector transformation
With BS-6, India will align closer to global norms, though the cost of vehicle ownership will rise. To ensure buyers don't feel the pinch of buying vehicles complying with BS-6 norms, it would help if tax sops are provided on automobiles purchase. It is important to provide tax break on premiums paid for motor insurance availed for vehicles conforming to BS-6 emission norms.

Introduce tax breaks on home insurance
The recent natural calamities, including the devastating Kerala floods, destroyed thousands of homes. Compared to developed nations in the world, home insurance penetration in India is abysmally low at less than 1%. Tax breaks in this segment will not only help in increasing its adoption but also ensure people are not left in the lurch in the face of an eventuality damaging their homes and belongings.

(The writer is Sanjeev Mantri.)

TOP

Source

Insurance firms' trial products promise accurate price covers for policies – Business Standard – 29th January 2020

The pricing of health or motor insurance policies you buy currently is based on rather crude measures. A car owner, for instance, pays a premium based on the type of car he owns and its age. A health insurance customer pays a premium based on his age bracket. Thanks to technology, it is now possible to price covers based on an individual's own behaviour or his health condition. The Insurance Regulatory and Development Authority (IRDAI) recently gave the green light to 33 products and services under its regulatory sandbox framework. Companies will run these products for six months on a pilot basis. If they work well, IRDAI will allow all companies to launch regular policies based on these ideas.

(The writer is Sanjay Kumar Singh.)

TOP

Source

Govt needs to tweak these rules to increase insurance penetration – CNBC – 30TH January 2020

While there is no denying that the government has worked hard with the stakeholders to map out a robust policy framework for the insurance ecosystem to overcome legacy problems, I feel that policy changes without pragmatic action on the ground have a limited impact in triggering growth. Now that a set policy has been adopted and the industry has accustomed itself to them, the government should focus on introducing the next set of reforms in Budget 2020 that enable increasing customer onboarding. After all, the key to building a sustainable insurance industry is to expand the consumer base that shall not only increase the overall insurance penetration in the country but also expand the number of households having a financial safety net.

TOP

Source

Cashless treatment soon for road accident victims – The Hindu Business Line – 29th January 2020

The Road Transport Ministry is close to finalising a cashless treatment scheme for road accident victims to ensure they are not denied immediate medical attention for lack of funds.

Road Transport Minister Nitin Gadkari has asked general insurance companies to support the Ministry in its attempt to roll out the cashless treatment scheme and ensure time-bound claim settlement for accident victims.

The details of the scheme are yet to be decided, according to government officials from the Road and Health Ministries who attended an insurance and road safety workshop in New Delhi recently.

The first few hours after an injury, known as 'golden hours', is when there is the highest likelihood of preventing death with prompt medical treatment.

Piyush Jain, Director - Motor Vehicle Licence, Road Transport Ministry, wondered if the Ministry could integrate the golden hour treatment scheme with Prime Minister's Jan Aarogya Yojana (PMJAY).

Insurance

The funding of a victim's treatment will depend on whether he/she is insured or not, suggested a Health Ministry official, speaking at the workshop.

If insured through Ayushman Bharat, or any other State health insurance scheme, the treatment can be funded through those schemes. If the victims are uninsured, they could be treated through the Motor Vehicle Accident Fund, which will fund the amount for compensation for hit-and-run cases. This is basically the erstwhile Solatium Fund. Officials also wondered if CSR (corporate social responsibility) funds could be routed to the fund. For this, however, the Road Ministry would require a nod from the Corporate Affairs Ministry.

TOP

Source

What is Cyber Insurance and why it is the need of the hour – Moneycontrol – 29th January 2020

With the rise of digitization in India comes the rise in threat of cyber-attacks. In the past few years we have seen numerous cyber-attack both for corporates as well as individuals. Cyber-attacks are not unknown phenomena especially with the growing technology in India and the global markets.

Once again, all these cyber-attacks bring cyber insurance to the core. A cyber insurance policy is also known as cyber risk insurance or cyber liability insurance coverage. This policy is designed to help an organization mitigate risk exposure by offsetting costs involved with recovery after a cyber-related security breach or similar event.

Nowadays even Indian insurers offer products for individuals for cyber-attacks. So, why it is important for each and every company - small or big - to have a proper cyber cover - so that losses can be prevented. Not only companies, but with rising cyber frauds even individuals should look at having a cyber insurance cover.

In global markets we have seen rise in cyber insurance market which is slated to touch USD 20 billion by 2025. But in India-we haven't seen major uptick in the space. Few financial companies have taken the cyber insurance cover but have chosen low sum assured which impacts their financials. While global markets are all gearing to face the cyber challenge, Indian base for cyber insurance is around Rs 500-700 crore.

With rise of digital transformation in India, cyber security remains one of the top challenges not only for organizations but also for individuals. We have come across many millennials doing most of their financial activity through their mobile phone and for them buying a cyber security cover is very important. It is more important for corporates and individuals to have adequate cyber insurance cover, so that risk can be mitigated through such cover.

Several of the insurers provide cyber insurance cover to individuals as well as companies. Typically, identity theft, social media liability, cyber stalking, IT theft loss and cyber extortion among other factors are included in the cyber insurance policy. Globally and in India, most cyber-attacks include e-mail based attacks, malware or ransomware and phishing attacks. The notion among some players is that, this policy might be costly, but premium rates of cyber insurance are very competitive, and it will cost around Rs 600-800 per lakh of sum insured.

In the recent annual threat report for 2019 published by Quick Heal shows that states such as Maharashtra, Delhi, West Bengal and Gujarat among other are top states where cyber-attacks were most targeted. However, like any other insurance cover, one should look at exclusions before buying the policy as it includes, immoral services, dishonest and improper conduct among other exclusions. For insurers, cyber insurers is still under-penetrated and there is big scope to tap this market. So like individuals buying life or health policy for their well-being it is also important to buy cyber cover for their financial security.

(The writer is Rakesh Goyal.)

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Source

Soon get a floater motor policy, group health cover for friends – Mint – 28th January 2020

Just like a family floater health insurance policy can cover all the members of a family, imagine having a motor insurance that covers all the vehicles you own. Sounds interesting? Well you may soon have such a product. This is one of the 33 innovative products that the Insurance Regulatory and Development Authority of India (Irdai) has approved under regulatory sandbox—a workspace where tech-driven companies can ideate, test and innovate financial products. Irdai invited applications for sandbox innovations between September and October 2019 and received 173 proposals.

The new products could usher in customization that may lead to making insurance popular. Irdai has asked insurance companies to launch their products on a pilot basis with a cap of 50,000 policies between February and July. Depending on the outcome, insurers may then file them as regular products. We get you the details of some of these products.

Motor floater policy
ICICI Lombard General Insurance Co. Ltd, Reliance General Insurance Co. Ltd and Edelweiss General Insurance Co. Ltd plan to test a motor floater policy soon.

Shanai Ghosh, chief executive officer (CEO) and executive director (ED), Edelweiss General, said their product is an innovative app-based floater plan that will allow policyholders to cover any damage to their vehicles based on usage. The policy will cover multiple vehicles. “Premiums will be charged as per usage. So the customer has the flexibility of adding and deleting vehicles as required on the app. The cover can be switched on or off as per requirement," added Ghosh.

Rakesh Jain, ED and CEO, Reliance General, said their sum insured-based floater plan will cover all the vehicles owned by a customer. It will be defined on the basis of the value of the vehicle that has the highest sum insured, and the customer can add vehicles under the cover even later. “The premium under sandbox guidelines shall typically be declared as per the existing own damage pricing of the company," said Jain.

The policy will help you optimize your premium and the sum insured. “All the benefits including no-claim bonus and cancellation shall be made available to a customer like in the case of any typical motor insurance own damage product both at the time of entry and exit," added Jain.

While the outline of the product has been presented by the insurers, details on calculation of the premiums and the benefits are yet to be finalized.

Pay as you drive

For the longest time, there have been discussions on how motor insurance premiums should be linked to the driver instead of the vehicle. It finally looks like there is some development on this front because insurers have taken the pay-as-you-consume model seriously and designed products that will make policyholders pay based on the kilometres travelled.

“We are also considering vehicle mileage during the policy period as a parameter. Lower the mileage, lower the probability of an accident. These products are already available globally," said Sanjeev Srinivasan, managing director (MD) and CEO, Bharti AXA General.

Current market practices don’t incentivize policyholders with lower-than-average vehicle usage, but that may change now. Adarsh Agarwal, appointed actuary, Go Digit General Insurance Ltd, said, “Millennials use app-based cab services and office transport to beat the traffic and save money. This policy would cover their vehicle at a lower premium due to their lighter driving behaviour. And if during the policy period, they do exceed the declared light usage and have a claim, their additional premium will be adjusted in their claim amount," he said.

Friend assurance

While family health plans and employee group policies are quite common, a group policy to cover a bunch of friends was unheard of. Three insurers—Religare Health Insurance Co. Ltd, Max Bupa Health Insurance Co. Ltd and Kotak Mahindra General Insurance Co. Ltd—will offer this product. The group can have five to 30 individuals.

The policies will work well if the members are health conscious. “There would be discounts based on the group size, available on a normal policy premium. Also, there would be wellness-linked incentives at regular intervals," said Ashish Mehrotra, MD and CEO, Max Bupa Health. “A score would be generated for each group member. On the basis of that cumulative score, a discount would be passed on to the entire group at the time of renewal," he added.

Ashutosh Shrotriya, head, products and business process, Religare Health, said until now they don’t have a special offering for a defined group of people that is more health conscious and has a relatively better health profile. If nobody from the group files a claim in a year, then a part of the premium (about 15%) will be refunded. “A cycling club or a group of marathoners or trekkers have people that are usually fit and healthier. We wanted to have a product that could appeal to such individuals," said Shrotriya.

Short-term health

Religare Health Insurance and Bharti AXA General Insurance Co. Ltd have got Irdai’s nod for their short-term health insurance product with a tenure of less than a year. “Customers may choose to take a plan for a short period during the emergence of certain diseases. The product will work as a litmus test for a customer entering the category for the first time and his experience could translate into a long-term purchase," said Srinivasan. The company will offer short-term critical illness, hospital cash and hospitalization covers that address specific illnesses. Srinivasan said that the premium will be based on the cover and the segment of customers, and the sum insured would be capped at ₹5 lakh.

“The policy will have a tenure of one to six months," said Shrotriya. While there are sachet policies available even now, they come with a term of at least a year. Shrotriya added that the company was looking to service people who remain without health insurance when they take a break from work for a few months or when they are between jobs. But such a policy is unlikely to cover any pre-existing disease and come with a host of exclusions, said Abhishek Bondia, principal officer and MD, SecureNow.in. “It is always better to go for a long-term standard health insurance policy (other than what your employer offers) with adequate sum insured," he added.

“The products are still under development and all of them may not work in the long run. Companies may discontinue them if they are not viable in terms of cost and the number of takers," said Shweta Jain, CEO and founder, Investography. We recommend buying all the basic policies before going for these new-age products.

(The writer is Disha Sanghvi.)

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Source

Insurance against terrorism not an understood terminology - Khmer Times – 28th January 2020

The uncertain times that we live in today call for covering risks on all fronts. In this regard taking insurance cover against terror attacks is not understood that well.

Strange as it may seem, while everyone understands terrorism, there is no universal definition of it. Various legal systems and governments use different definitions. A common thread across all descriptions of terrorism would be the use of violence or of the threat of violence in the pursuit of political, religious, ideological or social objectives.

Anti -terrorism laws have always been subjected to a lot of political debates over fear of misuse and India has its share of such controversies. The Terrorist and Disruptive Activities (Prevention) Act 1987 or TADA, was perhaps the most infamous terrorism law that was brought into force under the background of the Punjab insurgency in 1985 and resolved in 1995.

The Prevention of Terrorism Act 2002 (POTA) was the next potent law to tackle terrorism, but this was repealed in 2004. When POTA was annulled, some of its provisions were incorporated into the Unlawful Activities (Prevention) Act 1967 (UAPA) and presented as the updated version of the Act in 2008. The scope of UAPA 2008 is much wider, embedded with acts of terrorism. This act is currently in force with amendments added from time-to-time.

Need for terrorism cover

Who could forget the sight of aircrafts crashing into the US World Trade Centre (WTC) or the attack on the Taj Mahal Palace hotel in Mumbai. While these horrendous events remain etched in the minds of people, the economic loss caused by them are perhaps less unknown and unrecognised.

While the WTC was never rebuilt, Taj hotel had covered both property damage and business Interruption arising out of terrorism. It took more than three years to finalise the claim and renovation itself took about one and a half years to complete at an estimated cost of Rs 300 crores (about $42 million).

Insurance in India
India has created a pool for terrorism with all rates, terms and cover standardised. Insurers cede all terrorism premiums collected on this cover to the pool after deduction of an administration cost.

This cover also includes loss, damage, cost or expense directly caused by, resulting from or in connection with any action taken in suppressing, controlling, preventing or minimising the consequences of an act of terrorism by the duly empowered government or military authority.

Provided that if the insured is eligible for indemnity under any government compensation plan or other similar scheme in respect of the damage described above, this policy shall be excess of any recovery due from such plan or scheme. For the purpose of the aforesaid inclusion clause, "Military Authority" shall mean armed forces, paramilitary forces, police or any other authority constituted by the government for maintaining law and order.

Limit of indemnity
The limit of indemnity under this cover shall not exceed the total sum insured given in the policy schedule or Rs 2,000 crores (about $300 million), whichever is lower. If there are several insurance policies within the same compound/location and/or arising out of single event with one or different insurers the maximum aggregate loss payable per compound/location and/or arising out of a single event by any one or all insurers shall be to Rs 2,000 crores.

If the actual aggregate loss suffered at one compound/location and/or arising out of a single event is more than Rs 2,000 crores, the amounts payable towards individual policies shall be reduced in proportion to the sum insured of the policies. From the definition of terrorism it is clear that any act or a series of acts committed by an individual or group of persons acting alone or in a group, for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public or any section of the public in fear of such purposes becomes an act of terrorism.

So, the intention of the act is key for it to be declared an act of terrorism. An explosion set off at a place will not become an act of terrorism unless these conditions are fulfilled. An act of sabotage need not be an act of terrorism. Military action taken against terrorists can cause a lot of collateral damage and such damages are covered as well.

Much interpretation
The total cover available per compound/location is limited to Rs 2,000 crores. This includes all loss or damage caused to property and loss of profits caused by business interruption. The absence of a definition for compound and location throws this open to a lot of interpretation. Units located in a special economic zone for instance can be interpreted as one location – or take the case of a large technology park that houses hundreds of tech companies – they will fall within the per compound definition.

The cover available for all occupants and the owner of the building put together in such a location/compound will be limited to Rs 2,000 crores. This would be for property damage and business interruption combined. The amount in such cases will be shared between occupants based on the sum insured of their policies. Enterprises may not therefore receive full compensation in such cases and it might make them uneasy to know that there is uncertainty in their terrorism cover even though they might have insured their losses fully.

Large businesses that have a combined property damage and business interruption sum insured exceeding Rs 2000 crores per compound/location are permitted to seek a standalone terrorism cover outside the pool. Such cover is available from the reinsurance market and it would be safer for such businesses to insure their company under a standalone cover. The standalone policies have wider coverage and will ensure that the organisation stays fully protected without having the fear of sharing indemnification under their policy with other occupants in one location/compound.

(The writer is Vinay Kumar C.)

Source

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In the next two-three years, sluggish Indian economies will affect insurance premium growth – Industry Global News24 – 27th January 2020

Investor Service said Tuesday that the weakening Indian economy will affect the rise in premium insurance in the next two-three years. The regulatory body's support measures, however, are to help counterbalance the worsening economic environment through insurance regulation and development Authority of India (IRDAI). The resulting financial pressure on rural households as a result of the slower job creation is also weighing up prime growth, Moody's Senior Vice President Benjamin Serra said, India's GDP growth slows to its lowest rate over five years in the fiscal year ended in March 2019.

In the current fiscal year ends in mars the economy will rise by 5 percent, slower than the 6.8 percent growth reported in 2018-19, the most recent projections by India's Statistics Department. Low penetration rates of insurance in India, however, indicate that there is ample scope for growth. According to Moody's health premia, the Ayushman Bharat program, which began in September 2018, is expected to increase. Considered as the world's biggest health insurance program, Ayushman Bharat aims to provide almost 40 percent of the population; more than 100 million poor and vulnerable families per year-with free health insurance of about 5 lakh per family.

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Source

Know what your home insurance will not cover – The Hindu Business Line – 27thJanuary 2020

Home insurance provides cover for financial losses to your house in the event of any calamity or accident. But incidents such as the recent demolition of four high-rise luxury apartments in Maradu, Kochi (which violated coastal regulation zone norms), following a Supreme Court order, will not be covered by a home insurance policy.

Though many home owners claim they were unaware of the violations, the claims, if made, will not be processed, as the construction was illegal. While 'ignorant of law' is inadmissible in a home insurance claim, here is list of exclusions that one should be aware of in a comprehensive home insurance policy.

While any demolition of buildings due to illegal construction is not covered in a home policy, the damages arising out of such demolition to the neighbouring houses or buildings are covered by some of the insurers.

For instance, if a government authority is bringing down a structure in a controlled manner but the demolition damages your wall or creates a crack in your house, then your home policy will cover the repair. Players such as ICICI Lombard, Bajaj Allianz General and Royal Sundaram General Insurance cover such damages.

However, not all players provide for such consequential damages. For instance, Reliance General Insurance doesn't cover accidental damages that occur due to the demolition of neighbouring buildings. Royal Sundaram's Gruh Suraksha and HDFC Ergo's Home Shield plans offer terrorism cover as optionally.

(The writer is Bavadharini. K .S.)

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Source

Nat-Cat events: 'Budget should introduce affordable home insurance scheme' – The Hindu Business Line – 24th January 2020

The upcoming Budget should introduce an affordable home insurance scheme to cover losses to property during Nat-Cat events, Tapan Singhel, Managing Director & CEO, Bajaj Allianz General Insurance, has suggested. This could be offered in association with insurance companies, Singhel said when asked about his budget expectations. An index-based scheme (parametric insurance) can be adopted which compensates for the damage caused due to catastrophic event, as per the pre-defined trigger for such events, he said.

The premium for the same can be collected along with the property tax and once the claim is triggered, amount can directly be transferred to the beneficiary's Jan Dhan account linked to the home insurance policy, he suggested. "It will go a long way in bridging the protection gap between the economic losses and insured losses during the Nat-Cat events," Singhel said. He also felt that a tax exemption for home insurance just like health insurance deduction under Section 80D will encourage people to opt for home insurance.

Singhel also highlighted that in the recent times during Nat-Cat events, one has witnessed several homes/shops of people getting washed away in floods. "Most of these property losses belong to the lower strata of people," he said.

GST rates
Singhel also underscored the need for government to look at reduction in GST rates across insurance products. This is necessary to encourage people to purchase the important financial tool of insurance. The current rate of 18 per cent is applicable for majority of insurance products, he said, adding that this rate could be a dampener for people to opt for insurance. Singhel expressed hope that the upcoming Budget would increase the limit of bank deposit insurance to level which appropriately safeguards the account holders. "Currently, the sum insured is ₹1 lakh and it needs to move up," he said.

(The writer is K. R. Srivats)

Source

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HEALTH INSURANCE

Tips to choose the right family health insurance plan - Financial Express – 30th January 2020

Health insurance is an essential part of one's financial planning. For many reasons, including the rising medical treatment costs, it is a must-have thing. And, one can clearly understand the need of having a health plan with the fact that even government has taken strong initiatives for citizens who can't afford to have health insurance with the introduction of the Ayushman Bharat Yojana (ABY) in 2018.

Notably, the cover under Ayushman Bharat Yojana plan is of Rs. 5 lakh for a year, and it is meant for the low-income group. The average middle-class individuals who wants to include health insurance in their portfolio to protect themselves from being financially burdened in case of medical emergencies, this post will guide in buying the right health plan.

When looking for a perfect health plan, often the budget could be a constraint. And at the same time, one doesn't want to end up being underinsured.

So, to get the right plan within your budget, one must first answer these questions:
a) Individual plan for every family member or Family Floater?
b) What will be the coverage or sum insured of a Health Plan

In case you are not sure about the type of plan you should buy, then go for a family floater, provided the members don't require multiple times hospitalization in a year. Also, in a case, where you can't afford to invest premiums for multiple individual plans. Furthermore, when buying a family floater, it is good to have a different health plan for members of older age as that would increase the premium otherwise.

Ideally, having a cover of Rs. 5 lakh should be minimum for a family health plan. Because of the rising medical inflation, plus, if one of the members gets hospitalized, in which case utilizes the cover up to Rs.3 lakhs, then at least Rs.2 lakhs would still be there for other members in a year.

What if you could not go for a higher sum insured due to budget or want to increase higher cover in a pocket-friendly way?

The answer is to opt for a top-up or super top-up plan. By opting for a top-up or a super top-up plan, you can increase the cover even with a small investment.

When you've decided the cover and the type plans, one can check various plans offered by different insurers. Comparing various health plans and their premiums offered by different insurers would give you a fair idea about plans and their other features, including their coverages and exclusions.

Before you finalize and buy a health plan, keep these things in mind:
A) Inclusions: Coverages or Inclusions is the list of all the things that your plan will cover under certain cases. Be sure to check what it covers: the type of treatments, cost of hospitalization, pre- and post-hospitalization, in-patient treatment, other treatment options, daycare list, etc. Each health plan may differ in their coverage scheme.

B) Room rent limit: The room rent is basically the cost of allowed room cost when hospitalized. Often, the room rent limit is missed when buying a plan, and opting a wrong room at the time of hospitalization, may cause in the partial claim settlement amount. In the case where the room opted has a higher rent than the mentioned limit, chances are the claim would be of a lower claim amount as proportionate to the mentioned rent limit.

Since, all the medical expenses, including the doctor's fee, vary with the room chosen during hospitalization, better to go for the room as mentioned in the policy. And, at the time of buying, ensure that you choose the right room rent limit.

C) Waiting period: In the case of pre-existing diseases, there's a clause of a waiting period. Usually, a plan may have a waiting period of 30 days before a claim can be filed. The waiting period varies for pre-existing diseases before they are accepted under the plan coverages. This again varies from insurer to insurer, so do check the waiting period under each plan. As you may prefer to have a lower waiting period health plan.

D) Exclusions: When buying a health plan, it is equally important to see what is not covered by a certain plan as important it is to check what is covered. Knowing exclusions will help in knowing which treatments are not covered.

E) Claim Incurred Ratio: It is advisable to know the claim incurred ratio of the insurers to make sure your claims get approved, provided the claims are genuine and as per the policy wordings.

There are other factors that you should also check before finalizing, for instance, Network Hospitals, Sub-limits, Co-pay, No Claim Bonus, Reinstatement, Renewability, etc.

Bonus Tip: Be transparent when buying a health plan and disclose all the details, because you don't want to end up with your claims being rejected when needed due to any missing or false information.

(The writer is Rakesh Goyal.)

TOP

Source

Should you worry about your health policies after bank mergers? – Mint – 29th January 2020

In August last year, finance minister Nirmala Sitharaman announced the merger of ten public sector banks (PSBs) into four large banks. The government decided to merge Oriental Bank of Commerce and United Bank with Punjab National Bank; Syndicate Bank with Canara Bank; Andhra Bank and Corporation Bank with Union Bank of India; and Allahabad Bank with Indian Bank.

Soon after this announcement came, there was uncertainty regarding what will happen to the group health insurance policies bought by the customers. Whether the policies would continue as it is or would policyholders have to move to individual policies became a matter of concern. But should you really worry?

Clearing the air on this, the Insurance Regulatory and Development Authority of India (Irdai) on Tuesday issued a circular to all general and health insurers in the interest of group insurance policyholders of the merged banks.

The circular said that the underlying group health insurance policies of the customers of the merged banks shall continue to be serviced by the respective insurers till the end of the policy period. Insurers have been asked to make suitable arrangements with the acquiring banks to ensure this is done. Irdai also said that a bank may have group insurance arrangements with any number of insurance companies, which means that policyholders need not worry about porting their policies immediately.

"This step comes as a big relief for customers who have bought health insurance policies from PSU banks. Existing customers need not worry about continued coverage from their health insurance policy. The regulator has kept the customer's interest in mind without letting it affect their ongoing policy. However, we always advise customers to buy individual retail products as that isolates them from any corporate activities like bank mergers," said Amit Chhabra, head, health insurance, Policybazaar.com, an online insurance marketplace.

Further, the circular states that at the end of the ongoing policy period, the acquiring bank at its option may continue with the same group policy and the same insurer for the customers of the merged bank. Also, the acquiring bank may simultaneously continue to cover its existing customers with its current insurance company. The same policy can later be offered to the customers of the merged bank as well.

Note that after the current policy expires and customers decide to move to the insurer with which the acquiring bank has a tie up, there could be some change in premiums.

"Merger of PSBs might lead to some confusion regarding group insurance bought by customers of banks getting merged. These guidelines are to make people aware about the status of group policies and which company will service the policy. Policyholders need not worry about anything as guidelines are very clear," said Biresh Giri, appointed actuary, head of product development and CRO, Acko General Insurance. Shweta Jain, CEO and founder, Investography, said that this guideline comes as a big relief for policyholders of the merged banks and will give them clarity on the way ahead.

(The writer is Disha Sanghvi.)

Source

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90 percent poorest have no health insurance, reel under high medical costs – APN News – 29th January 2020

Only one-fifth of the rural and urban Indian population has access to private and government medical services. The remaining people tend to rely on their life savings at the time of emergencies or borrow money on interest for the same. According to the reports of National Survey Office (NSO) of the Ministry of Statistics and Programme Implementation, the percentage of the Indian population (rural – 14.1% and urban – 19.1%) that has any health insurance coverage is quite less. This means a majority percentage of people are vulnerable to medical-related financial risks.

Health expenses have pushed people who were above the poverty line back into poverty. But this certainly cannot keep continuing. Before the Pradhan Mantri Jan Arogya Yojana (PMJAY) scheme was launched, only 12.9% of the rural population and 8.9% of the urban population was covered under the central government insurance scheme. After the launch of PMJAY scheme in September 2019, coverage of INR 5 lakh has been provided to over 100 million vulnerable families identified by the Socio-Economic Caste Census (SECC).

According to the latest data, as latest as of December 1, 2019, over 67 million people were issued an ecard that qualifies them to seek free health services at government and private hospitals. As a result of this, 40% of the Indian population now has access to adequate health insurance plans. Many people in India are still reluctant to buy health insurance coverage, mainly because of the high premiums charged and people who are willing to pay that amount are low. Moreover, most of the rural population has limited access to healthcare facilities like expert doctors, medication, and hospital. Thus, they are less likely to purchase health insurance plans.

Because of this, the health expenses are paid from personal savings or borrowing money from the bank. This pushes people further into poverty. Also, poor people who cannot afford healthcare facilities tend to avoid seeking medication. They thus incur critical illnesses such as cancer, tuberculosis, and more, which are all the more expensive to cure. For people to have access to adequate health coverage, the government has launched the Ayushman Bharat Yojana. This scheme came into existence after the Union Budget of 2019 and is said to resolve the medical-related concerns of most Indians.

However, before you register for Ayushman Bharat Yojana, you need to check whether you are eligible for it or not. The AyushmanBharat Yojana eligibility can be checked online. Once you know that you are eligible for the scheme, you can move ahead and apply for Ayushman Bharat Yojana registration. Once the registration is done, you and your beneficiaries can avail the health services under this plan.

Over To You!
Everyone needs to have access to basic health insurance. With the PMJAY scheme in place, we believe that millions of people across the country will benefit from the same. You can read more about the Ayushman Bharat registration process to ascertain if you are eligible for this scheme. Also, it is highly advisable to seek health coverage if you have older parents or young children to take care of. In case you are looking for an adequate plan that covers the medical needs of you and your loved ones, browse through **Bajaj Allianz health insurance** plans available on Finserv MARKETS.

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Source

Budget 2020: Ayushman Bharat terribly under-funded; don't neglect people's health while curing economy – Financial Express – 28th January 2020

With India's GDP growth falling below the 5% mark for the first time in six years, all eyes are fixated at the Budget 2020 and measures the government will announce to revive the economy. Finance Minister Nirmala Sitharaman spent much of the last year meeting representatives of different sectors with an objective to find sector-based solutions to the ailing economy. There were announcements on a slew of measures to put the economy back on track such as slashing corporate tax and stimulus packages to the real estate and banking sectors. Understandably, economic revival will continue to be at the centre of the government agenda as it rolls out the Union Budget 2020.

However, in its bid to focus all energies on the economy, the government must not lose sight of the social sector which is perpetually in need of funds and resources. Expectedly, this would be a tightrope for the government that is also reeling under the impact of falling revenues. Notably, GST collection for the current fiscal year has grown much below the budgeted rate even as the corporate tax cuts have further dented the government coffers. Yet, the government must find ways to ensure that the social sector, particularly healthcare spending, continues to grow.

Social sector spending is critical for the development

The social sector encompasses measures the government initiatives to improve the healthcare, nutrition, hygiene, social and educational conditions of citizens. With huge disparities and deprivations existing in developing countries like India, economic growth by itself is not sufficient to achieve the necessary human development. This is why social sector spending is crucial for the overall development of the nation, particularly in the improvement of its Human Development Indices.

The availability of affordable healthcare and education are by far the two most important elements that can have a dramatically beneficial impact on the human development situation of a country. The first Global Social Mobility report of the World Economic Forum ranked India at a lowly 76 out of 82 countries in its Social Mobility Rankings. The report says that it would take seven generations for a member of a poor family to achieve average income levels in India, in contrast to just 2 generations in Denmark. The social sector remains one of the key determinants of social mobility. Public spending on the social sector is therefore of paramount importance on the road to development.

Will the social sector and healthcare get its due?

A time when the economic slowdown has seriously impacted incomes and employment levels across the spectrum, particularly in rural areas and among the urban poor, the need to channelize more resources into social sector schemes and healthcare becomes all the more pronounced.

While the government has made a welcome commitment to raise public healthcare spending to 2.5% of the GDP by 2025, the healthcare sector would like to see a positive move towards this goal. Currently, India spends just a little over 1% of its GDP on healthcare, an allocation that stands much below other countries of similar economic stature, even lower.

Even the government's ambitious Ayushman Bharat scheme needs a major resource push to expand the access of healthcare facilities in under-served areas. Despite receiving Rs 6,400 crore, a lion's share of the total health budget allocation last year, Ayushman Bharat scheme still remains inadequately under-funded. We also expect a targeted announcement in the budget about setting up of the pledged 150,000 Health & Wellness Centres to boost primary healthcare as part of the PMJAY programme.

The sector would also like to see the emergence of a coherent strategy on the part of the government to increase the number of hospitals in rural and remote areas, apart from increasing the number of MBBS and PG seats in medicine to churn out more doctors over the next few years. A plan to upgrade at least 100 district hospitals into medical colleges over the next decade must be high on the government agenda.

Health insurance and sanitation

While Ayushman Bharat serves to address the out-of-pocket expenses problem for people below the poverty line, there is also a need to address the need for making health insurance affordable and accessible to middle-class Indians. Health insurance penetration remains abysmally low in India. While a large number of Indians are unable to afford hefty premiums, some are denied the benefit because of pre-existing diseases.

For example, people who might have diabetes or a heart ailment or any other disease for that matter are not covered by insurance providers making them deeply vulnerable. Similarly, OPD expenses and medicine costs remain uncovered by existing insurance packages, despite the fact that these heads account for a bulk of out of pocket expenses. We expect the government to initiate concrete measures to make health insurance more affordable and accessible to all people.

A recent report 'The Budget Trails by the Tata Trusts and Centre for Budget and Governance Accountability (CBGA)' found that centrally sponsored social sector schemes have seen over 85% of utilisation of funds during the period between 2017 and 2019. This shows that the funds being channeled into social sector schemes such as Integrated Child Development Services (ICDS), Sarva Shiksha Abhiyan

(SSA), National Rural Drinking Water Program (NRDWP) and Swachch Bharat Mission are being adequately utilized.

This should act as a major motivator for the government to increase allocation to these sectors. Yes, increasing allocation at a time of declining revenues will cause a major dent in the government's fiscal deficit targets. However, the current need is to revive the economy and boost social sector schemes for a population already reeling under income and employment challenges.

(The writer is Kamal Narayan.)

Source

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Overview of Top-up and Super Top-up plans in Health Insurance – Deccan Chronicle – 28th January 2020

Thanks to the digitization of the Indian insurance sector, there has been a lot of awareness about the benefits of a health insurance policy. Nowadays, affordable health insurance policies can be purchased online conveniently through smart phones. However, there's still a giant question mark looming over laymen when it comes to understanding the nuances of a health insurance policy.

Also, purchasing a Comprehensive health plan can be expensive. And opting for a 'low-premium, low-coverage' plan will not entirely serve the purpose of shielding you from medical expenses. Thus, there is a need for understanding one's health insurance needs, knowing one's budget, and picking the best-suitable plan on offer. This is where Top-up and super Top-up health insurance plans can help in offering substantial health coverage at a manageable cost.

Important Terminology

Base Plan

Your general health insurance plan is termed as a base plan. Top-up and Super Top-up plans offer insurance cover over and above this base plan. For example, if you have an individual health insurance policy of Rs 3 lakhs, that is your base plan.

Deductible

A deductible in this scenario is a threshold over which the Top-up and Super Top-up plans come into effect. For example, a Top-up plan might have a deductible of Rs 4 lakhs. This means the Top-up plan will come into effect when your hospital bill is over Rs 4 lakhs.

Top-up Plans

Top-up plans are designed to offer additional health insurance coverage. These plans offer enhanced insurance cover in addition to the existing base plan. Top-up plans offer insurance coverage over and above the predetermined deductible limit.

For example, Mr A has an individual health insurance plan of Rs 3 lakhs. This is the base plan. He purchases a Rs 7 lakhs Top-up with a deductible of Rs 3 lakhs. If Mr A is hospitalized and has to settle a bill of Rs 5 lakhs, the base insurance policy will cover Rs 3 lakhs and the remaining Rs 2 lakhs can be settled by the Top-up plan. However, if an additional claim of Rs 4 lakh is raised, it will be covered by the Top-up plan over the deductible limit. The payable amount for the second claim will be Rs 1 Lakh. For a Top-up plan, the deductible is applicable on each claim.

Super Top-up Plans

Super Top-up plans are superior versions of a Top-up plan. This is because, for a Top-up plan, the deductible will be applicable on each claim, while for a Super Top-up plan deductible will be applicable on an aggregate basis. Thus, in the example mentioned in the Top-up plans section, the second claim of Rs. 4 lakhs will be covered in case of a Super Top-up plan.

Which one to choose, Top-up or Super Top-up?
The prime difference between Top-up and Super Top-up plans is the latter's ability to help you out comprehensively in case of multiple claims. Thus, if you feel you are likely to claim multiple times during the policy period due to your health situation, chronic disease, or lifestyle, you can opt for a Super Top-up plan. Otherwise, a Top-up plan should be good enough to offer extra coverage over your base plan.

Key Highlights
Here are some points to consider while buying a Top-up/Super Top-up plan.

A Top-up/Super Top-up plan can be purchased directly without buying a health insurance policy.

You can purchase a base plan from a different insurer and a Top-up/Super Top-up plan from a different insurer.

Top-up/Super Top-up plan is less expensive as compared to a health insurance policy.

Top-up/Super Top-up plan is settled as per the Reimbursement claim settlement process.

You can avail tax benefits on the premium paid for Top-up/Super Top-up plan as per the terms and conditions.

(The writer is Biresh Giri.)

Source

TOP

Budget 2020: Need to raise tax benefit limit on health insurance premiums – Financial Express – 28th January 2020

Budget 2020 India: The Indian health insurance sector has witnessed numerous structural changes in recent years. The National Health Protection Scheme under Ayushman Bharat and the introduction of new-age technology has redefined the health insurance landscape. The health insurance sector is steadily gaining momentum, the gross direct premium income underwritten by health insurance grew 15% year-on-year (y-o-y) to $4.5 billion till November 2019.

The penetration level of health insurance amongst the masses despite several initiatives by the government and private companies has not been satisfactory. Nevertheless, the implementation of Ayushman Bharat Yojana or Pradhan Mantri Jan Arogya Yojana is expected to increase the coverage to 40% of the population. We expect the government to announce concrete measures in the Union Budget for greater access to health insurance among the masses.

Cost of hospitalisation
The cost of hospitalisation is rising and medical treatments are becoming more costly. Medical inflation rate is rising at an average of 15% per annum. This is putting pressure on people's out-of-pocket medical expenses as this is an additional burden on Indian households particularly for families living in the lower and middle-income group. The industry expects the government to revisit Section 80D limits under income tax, which is presently capped at Rs 25,000, (for self, spouse, and dependent children) and consider a reduction in Goods and Services Tax (GST) for retail insurance policies.

The effect of tax on the premium has been a concern of the industry. At present, on most insurance products, the GST is 18% . The abolition or at least a sizeable reduction in the GST on all personal lines of products – from the existing 18% to 5% will work wonders for the industry. This will be a huge respite for those who are struggling to meet rising healthcare costs. We expect the government to announce initiatives towards achieving the goal of universal health.

Adequate health cover
One major illness can drain a family's entire savings, and push the family into a debt trap. Hence, adequate health insurance cover and the right health insurance product is a necessity for household savings to multiply and participate in the nation's growth. There has also been an extraordinary increase

in the incidence of critical illnesses in the country. This definitely calls for higher tax deduction limit under health insurance plans.

India's healthcare sector continues to remain in focus, with the health insurance sector demanding further attention. There are strong expectations that the government may envisage to increase allocation in public health spending.

The recent move of the government to allow 100% foreign investment for insurance intermediaries will help bring in the latest development in terms of new products, technology, skills and boost investments further.

The private sector health insurance companies and healthcare brands should take a more proactive educational approach towards explaining customers of the many benefits that come with purchasing health insurance policy. Right knowledge about the insurance process and its clauses could help consumers decode fine-print and instill confidence in their purchase.

(The writer is Prasun Sikdar.)

TOP

Source

You may be able to avail standard indemnity health insurance policy sooner than you think - The Economic Times – 27th January 2020

Those confused with the variety of health insurance plans on offer, a standard health indemnity health insurance plan will be available sooner than you think.

The Insurance Regulatory and Development Authority of India (IRDAI), on January 24, issued a circular allowing insurers to sell the standardised health insurance policy (Arogya Sanjeevani Policy) prior to April 1, 2020. This is a health insurance product that will take care of the basic requirements of policyholders.

Earlier this month, through a circular on January 2, the regulator had allowed insurers to offer the policy from April 1, 2020, and said the policy should be named as Arogya Sanjeevani Policy, succeeded by the name of the insurance company. No other name will be allowed in any of the documents, IRDAI mandated.

The January 24 IRDAI circular said, "In partial modification of the above-referred clause of the guidelines, it is clarified that the insurers can start offering "Arogya Sanjeevani Policy" before April 1, 2020, and should ensure that this product is definitely offered on or before insurance products at all, the above stipulation will not apply to those. As and when those insurers start offering indemnity-based health insurance products, they will have to also offer the standard product 'Arogya Sanjeevani Policy'."

Here are a few things you should know about the standard health insurance policy. The policyholders can buy this policy for a term of one year wherein the policy is subject to lifelong renewability. Minimum entry age of the policyholder should be 18 years and the maximum entry age should be 65 years. However, a proposer, who is older can also obtain a policy for the family without covering one's self.

The policy can be availed for self and the following family members:
1. Legally wedded spouse
2. Parents and parents-in-laws
3.Dependent children (i.e., natural or legally adopted) between the age of 3 months and 25 years. If the child is above 18 years of age and is financially independent, he or she will not be eligible for coverage in the subsequent renewals.

The policyholder can buy the standard indemnity policy with a minimum sum insured limit of Rs 1 lakh and the maximum sum insured limit of Rs 5 lakh (in multiples of Rs 50,000). Also, in the case of an individual health policy, the sum insured will apply to each family member whereas, in the case of the floater health insurance plan, the sum insured will apply to the entire family.

(The writer is Navneet Dubey.)

Source

TOP

Health Insurance: Want full health coverage with minimum premium? Opt for this cover – Financial Express – 27th January 2020

Aarti Khanna, 33, a Gurgaon-based software developer, had a medical insurance cover worth Rs 1.5 lakh from her employer. She met with an accident a few months ago and had to be hospitalized. The treatment for her recovery cost the same, around Rs 1.5 lakh, but she had to pay Rs 50,000 from her own pocket, despite having a corporate health insurance cover.

What most employees don't realise is that corporate medical insurances generally do not cover the entire expense in case of a major disease or accident. This leaves them partially without an insurance policy. To get full coverage, one should buy additional coverage on their own, apart from the one provided by their employer. Instead of opting for a basic health plan, depending on your requirements, you can alternatively opt for a top-up or a super top-up plan.

Top-ups and super top-ups are like supplementary health plans that complement an employer's existing group health policy or individual policy. Top-ups and super top-ups are available for both individual and family floater health plans. According to industry experts, enhancing a basic policy is an expensive approach as compared to buying a top-up plan. As these top-up plans come with higher deductibility, the premiums are also lower than basic health covers.

Here is how both top-ups and super top-up plans differ;
With limitations such as co-payments, exclusions of a certain disease, corporate health covers (the one provided by the employer) come with various restrictions. Their coverage also varies from year to year.

According to experts, opting for a basic health cover and combining it with a top-up, or just opting for a top plan along with a corporate cover is an ideal way to avoid the rising health care costs and paying from your own pocket.

This way once you have exhausted the sum insured of your basic health cover, the top-up cover can come into play. With the top-up cover, you need to choose a deductible for it while buying the policy. This is the amount that you have to pay either from their own pocket or using your basic health policy before the top-up cover activates. The amount that goes above the deductible limit, is paid through the top-up plan.

Comparatively, super top-up plans offer a better deal in contrast to top-up plans. A top-up plan gets activated when a single claim amount exceeds the deductible amount. However, in the case of the super top-up plan, a single claim amount need not exceed the deductible amount, two or more separate bills are also considered as one expense.

For instance, if your top-up cover has a deductible of Rs 1 lakh, and in a year, you produce two hospitalization bills of Rs 70,000 and Rs 80,000, the top-up plan will not get activated. For the top-up plan to get activated, you would need to produce a single bill of Rs 1.5 lakh, to activate the top-up plan. Only with a combined bill, you will be reimbursed the extra Rs 50,000.

On the other hand, in case of a super top-up plan, produce two separate hospitalization bills of Rs 70,000 and Rs 80,000, a total of Rs 1.5 lakh in a year will get the policyholder the reimbursement of Rs 50,000.

Additionally, with top-up plans, policyholders get limited cover in terms of pre and post-hospitalization expenses. With the super top-up plan, both pre and post-hospitalization expenses, daycare procedures, and pre-existing diseases (with a waiting period) are all covered. With super top-up plans, the premiums paid are also eligible for income tax deduction under section 80D.

(The writer is Priyadarshini Maji.)

[TOP](#)

Source

Budget should throw open Section 80C for health-related expenses of senior citizens – The Hindu Business Line – 27th January 2020

Also, the Budget should not insist on total absence of health cover for senior citizens to enjoy the ₹50,000 deduction under Section 80D

Section 80C of the Income-Tax Act, 1961 is the most talked about section both in the official circles and households, thanks to its omnibus character and potential to reduce one's taxable income. It offers something for almost everyone. To the working, it lays out a wide spectrum of choice many of them often going abegging thanks to the niggardly, one-size-fits-all overall limit of ₹1.50 lakh.

Contribution to statutory and recognised provident fund is one statutory deduction that often exhausts this limit insofar as middle and senior executives are concerned. No wonder there has been a perennial clamour for liberally upping the rather constricting limit of ₹1.50 lakh.

Be that as it may, children education, cost of a house and repayment of principal of the home loan, terms deposit for five years, contribution to Public Provident Fund (PPF) among others vie for utilisation. But all these as said earlier are useful only for low-paid employees and self-employed persons.

Health insurer's nightmare

Curiously, senior citizens do not figure in the section at all. Not for them are tuition fees of children (having already discharged that duty in their prime) and not for them is the prospect of buying a house in the stage of their life where home loan companies look askance at them. It is that stage of the life when the prospect of medical and hospital bills haunt them.

Shouldn't the section allow senior citizens some solace? Why thrust on them the schemes they don't want and deny them what they want? A senior citizen is a health insurer's nightmare and often a straight no-no. Even if he condescends to give a health cover, it comes with several riders and at a very high premium. The Finance Minister should throw open Section 80C for health-related expenses for everyone in general and senior citizens in particular.

To be sure, Section 80D comes to the rescue of the senior citizens when it condescends to allow a maximum of ₹50,000 on medical expenses provided they did not have any health insurance cover. The Narendra Modi government last year showed some sensitivity by dropping the adverb 'very' alongside senior citizens. In other words, the aforesaid deduction of ₹50,000 on account of medical expenses is allowable from the AY 2020-21 to all senior citizens and not only to those who were 80 years or more. This must be hailed as a progressive legislation but more needs to be done in favour of our elders many of whom may be in the twilight of their lives.

Twin benefits, please

Rupees fifty thousand may be just enough for buying pills and insulin shots for a diabetic couple afflicted with high blood pressure as well in addition. But God forbid, should they have to be hospitalised, the world about them would crumble in the absence of a health cover. So for God's sake, do not insist on total absence of health cover for senior citizens so as to be able to make the grade for the ₹50,000 deduction under Section 80D. By putting this unreasonable restriction the government is unwittingly stopping caring and conscientious children from taking health covers for their parents and in the process unwittingly creating filial and fiscal disharmony.

And do not make Section 80C out of bounds for senior citizens as is the upshot of the extant regime offering avenues they do not want. Let them enjoy the twin benefits — ₹50,000 under Section 80D for both hospital and non-hospital medical expenses and Section 80C for hospitalisation which is a grim possibility during the sunset of their lives.

Finance Minister Nirmala Sitharaman should also in the upcoming Budget 2020-21 amend Section 80C to empower CBDT to list avenues and schemes qualifying for deduction. And why not given the fact that if the executive can notify avenues for mandatory CSR spends by the corporates, there is nothing wrong in empowering CBDT to notify avenues under Section 80C. Let it be open-ended and not cast in stone.

(The writer is S. Murlidharan.)

TOP

Source

How fitness, friendship and reward points will help you lower premium on health policies – Business Today – 27th January 2020

Are you a fitness buff, and regularly go to gym or running? Is your friend of the same age has never even seen a gym and does not seem to consider hitting one? Sadly, you both are same in the eyes of insurance companies. You both will be charged the same premium irrespective of your pro-active healthy habits and your friend's sedentary lifestyle. Unfair, right? Thankfully, things are beginning to change. You may soon get to monetize your fitness. If you are a part of a running or a cycling group, you can even buy a policy together with your group mates and claim combined discounts.

Insurance Development Regulatory Authority of India (IRDAI) recently has given approval to 19 innovative health insurance products under sandbox that will cater to specific needs of customers. The prominent ones include friend assurance, wearable health devices, short-term health insurance, need-based health insurance, and payment over reward points, app-based healthcare and more.

Friend assurance

With most people increasingly being conscious about fitness, they often join a marathon, cycling or trekking groups or fitness centres. From an insurer's point view, they will surely have better health profile than an average customer. Secondly, because these groups often meet and take interest in each other's fitness journey, they work in cohesion. Keeping these special interest groups in mind, three insurers - Max Bupa Health Insurance, Religare Health Insurance and Kotak Mahindra Health Insurance - have received IRDAI's approval to launch Friend Assurance product wherein a group of friends or family may buy policies together for combined benefits.

In case of Max Bupa, every single individual will pay his or her premium and in return get individual sum insured along with floating sum insured. For example, if members of a group buy a policy of Rs 5 lakh sum insured (SI) each, along with this SI, they will also get floater limit of Rs 20 lakh. Any member can dig into floater amount if individual SI has exhausted.

"The individual premium in the group will be lower compared to what a traditional policy will offer as we'll be able to offer them better rate because all will come together. There will also be wellness-linked incentives," says Ashish Mehrotra, MD & CEO, and Max Bupa Health Insurance.

Religare has applied this concept on existing policies wherein they will return 10-15 per cent premium at the end of the year if no claims are received from any person. "We may come up with customised health policies in due course," says Ashutosh Shrotriya, product head, Religare Health Insurance.

Wearables
Star Health, Max Bupa, and Kotak Mahindra General Insurance are the selected companies in the wearable tech category. While most insurers already offer footstep-based discounts via their apps, these companies have got approvals for specific wearable devices. "With this, now measurement will be more accurate. For now, we'll be offering it to our existing GoActive policyholders," Mehrotra of Max Bupa says.

OPD expenses
While in-patient department expenses (IPD) are covered in a good way, hardly any options are available for out-patient department (OPD) coverage in a comprehensive manner. "Study says two-third of total healthcare spend in India is on OPD. With this thought, we structured the product called 'OPD and Wellness with Integrated Flexible Rewards program'. We have integrated OPD and wellness so that we can play a proactive role in managing customers' OPD spends, and at the same time reward them for displaying good behaviour. We will give them points based on their activity level and healthy behaviour. They can redeem those in our network of clinics," says Shrotriya of Religare Health.

Short-term insurance
Religare has come up with a short-term health insurance product that will let you buy policies for a specific period during which you want insurance. "This policy is suitable for those coming to India for a short period or people who are unemployed for a short duration between switching jobs. There could be instances where a husband has to align his policy date with that of his wife. They can discontinue one of the policies and buy a short-term policy for the spouse who is un-covered and align dates accordingly," Shrotriya of Religare says.

Need-based health profile
This product is more of a pricing tool to fix your premium on an individual basis. Currently the premium on policies is charged based on age and in some cases geographies. Based on data available on underwriting and claims side, Max Bupa has devised a dynamic pricing model where every individual will be offered different pricing. "All 35-year-old will not have to pay same premium. They will be asked a set of questions on their health, family history and lifestyle etc. If it doesn't suffice, we'll do a second layer of due diligence through tele conference, where much more detailed questions on health profile will be asked. If it doesn't help either, finally we'll send that person for medical check-up. On the basis of reports, we'll fix the price of the policy," says Mehrotra of Max Bupa.

Need-based health insurance
Traditional health polices do not cover critical illness unless charged extra. They come up with a waiting period too for pre-existing diseases. However, people may only want coverage for specific diseases, not a comprehensive health plan. Digit Insurance's need-based health insurance will cater to this segment. "There will be covers such as Dengue Cover, Vector borne Disease Cover, Women Specific Illness Cover, Breast Cancer Cover, Cervical Cancer Cover, Malaria, Typhoid & Jaundice Cover, Health Illness Diabetes Cover etc. The intent of these is to break down needs of people in different life-stages, genders and locations and give them what will be most beneficial to them," says Adarsh Agarwal, Appointed Actuary, and Digit Insurance.

App-monitored health programs
ICICI Lombard General Insurance has received approvals for the app-based features to take care of Diabetes and Cholesterol - App-monitored Diabetes Mellitus Wellness Program and Dyslipidaemia Management Program.

"A customer who opts for these programs will be offered a disease management application along with a nutritionist counselling for diet. The program allows tech-based mobile application and monitoring services to bring out the best of an insured individual. A customer who exhibits good behaviour by following a diet and a fitness regime will be rewarded by wellness points and this entire process will be monitored through the mobile application," says a press release by ICICI Lombard.

Bajaj Allianz's co-pay model is also based on app for which it has tied up with GOQii's, which provides an app-based healthcare platform with live and interactive sessions with fitness coaches who guide you on your health journey. The co-pay model will help you reduce your share of burden on co-pay policies at the time of claims. "Under the co-pay model, based on the engagement level of insured on the health platform offered by GOQii's the percentage of their co-pay will be decided," says Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance.

Redeem reward points
Often we receive reward/loyalty points from various brands but don't end up using those. What if we redeem those to buy insurance? This is what Religare's 'payment through reward points' policy will do. "We'll tie up with loyalty program runners and they will feature us in their catalogue of products where reward points can be utilised," says Shrotriya of Religare.

'Shagun- Gift Insurance' by SBI General Insurance is another interesting product that has received IRDA's approval. "This is a concept whereby a proposer can gift an insurance policy to any member of their extended family (spouse, children, parents, parents-in-law, siblings, cousins, grandparents and grandchildren). It consists of a personal accident cover along with the option to select emergency medical services and ambulance cover. Traditionally in India, cash is given on auspicious occasions such as festivals by way of 'shagun'. Here, by gifting an insurance policy instead of money, we are hoping to increase insurance penetration," says Subramanyam Brahmajosyula, Head -Underwriting & Reinsurance, SBI General Insurance.

Insurers will launch pilot phase of the products for the six months between February 2020 and July 2020, following which they will submit their performance analysis based on a set of success parametres specified by the regulator such as underwriting 10,000 lives or collecting Rs 50 lakh premium during the course of six months.

(The writer is Aprajita Sharma.)

Source

TOP

How does incurred claim ratio of 2018-19 affect health insurance sector? – Outlook – 27th January 2020

Before buying any health insurance. However, it is important to check the health status of the insurer to avoid rejection of claim at the time of medical emergencies. There are many ways to check before buying any health insurance. However, one of the most important criteria is claim settlement ratio of the insurer. Higher the incurred claim settlement ratio lower the chances of rejection of health insurance claim.

What is incurred claim ratio?
Incurred claim ratio means a ratio of the total premium collected to the total claim amount paid by a non-life insurers within a financial year.

Every year Insurance Regulatory and Development Authority of India (IRDAI) updates the latest insurance industry data at a glance through its annual report. According to IRDAI's 2018-19 annual report all the four public sector non-life insurers incurred claim ratios are more than 100 percent. This means they are under loss.

Insurer (Public sector non-life)	Incurred Claim Ratio 2018-19 (%)
National Insurance	108
The New India Assurance	104
The Oriental Insurance	109
United India Insurance	111
Private non-life	
Acko General Insurance	24
Bajaj Allainz	85
Bharti AXA	89
Cholamandalam	35
DHFL General	46
Edelweiss General	115
Future Generali	73
HDFC ERGO	62
Go Digital General	11
ICICI Lombard	76
IFFCO Tokio	102
Kotak Mahindra	47
Liberty Videocon	82
Magma HDI	90
Raheja QBE	33
Reliance General	94
Royal Sundaram	61
SBI General	52
Shriram General	53
Tata AIG	78
Universal Sompo	92
Standalone Health Insurer	
Aditya Birla Health Insurance	59
Apollo Munich Health Insurance	63
Manipal Cigna Health Insurance	62
Max Bupa Health Insurance	54
Religare Health Insurance	55
Star Health and Allied Insurance	63
Reliance Health Insurance	14

Among private non-life insurers, the incurred claim ratio of Edelweiss General Insurance is 115 percent and IFFCO Tokio General Insurance is 102 percent. This means only these two non-life insurers are under loss. However, all the seven standalone health insurers' incurred claim ratios are ranging from 14 to 63 percent. This shows that all the standalone health insurers are doing well and making profit.

For instance, for every Rs 100 premium if an insurer is paying Rs 98 as a claim for a year, it means the insurer is earning a profit of Rs 2 as the income is more than the expenses. On the other hand, if an insurer is collecting a premium of Rs 100 and paying Rs 105 as a claim for a year, this indicates the insurer is making a loss of Rs 5, since the income is less than the expenses.

However, insurers cannot deny a genuine health insurance claim. According to industry experts one should always check the health status of the insurer before making any decision to avoid rejection of claim at the time of medical emergencies.

(The writer is Nirmala Konjengbam.)

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Before buying any health insurance. However, it is important to check the health status of the insurer to avoid rejection of claim at the time of medical emergencies. There are many ways to check before buying any health insurance. However, one of the most important criteria is claim settlement ratio of the insurer. Higher the incurred claim settlement ratio lowers the chances of rejection of health insurance claim. Incurred claim ratio means a ratio of the total premium collected to the total claim amount paid by a non-life insurers within a financial year. Every year Insurance Regulatory and Development Authority of India (IRDAI) update the latest insurance industry data at a glance through its annual report. According to IRDAI's 2018-19 annual report all the four public sector non-life insurers incurred claim ratios are more than 100 percent. This means they are under loss. Among private non-life insurers, the incurred claim ratio of Edelweiss General Insurance is 115 percent and IFFCO Tokio General Insurance is 102 percent. This means only these two non-life insurers are under loss. However, all the seven standalone health insurers' incurred claim ratios are ranging from 14 to 63 percent. This shows that all the standalone health insurers are doing well and making profit.

TOP

Source

Centre enrols hospitals run by railways, PSUs in PMJAY – Mint – 27th January 2020

India is aiming to plug significant gaps in providing healthcare in smaller cities and towns under the ambitious Ayushman Bharat programme by signing up hospitals operated by state-run companies and Indian Railways, two senior government officials said.

Cabinet secretary Rajiv Gauba wrote to secretaries of all ministries, chief secretaries of all states and Railway Board chairman Vinod Kumar Yadav on 1 November in this respect. "It has been decided that all public hospitals should be empanelled under AB-PMJAY (Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana) in order to expand its coverage," Gauba said in the letter, reviewed by *Mint*.

NITI Aayog adviser Alok Kumar had raised concerns about the world's largest health insurance programme at an industry event in November. He said that a number of hospitals in smaller cities—including those run by state-run enterprises—are under-utilized, even though there is strong demand for their services in these regions especially because of the insurance programme.

"Singrauli, the power capital of India, has hospitals of NTPC and Coal India Ltd; all of them underutilized (like) shells standing. Railway hospitals (are like) shells standing but not being utilized efficiently enough," Kumar said then.

Since the letter was written, 236 hospitals have got themselves empanelled under the health insurance scheme, officially called Pradhan Mantri Jan Arogya Yojana (PMJAY), while nearly 700 more that are left are in talks to join the scheme, said one of the two people cited earlier, on condition of anonymity.

The 236 hospitals operated by public sector undertakings (PSUs) include 91 operated by the ministry of railways, in places such as Itarsi in Madhya Pradesh, Ajmer, Kota, Jodhpur and Jaipur in Rajasthan, Gaya and Garhara in Bihar, Gonda and Moradabad in Uttar Pradesh, among others, according to a document seen by *Mint*. Another 36 hospitals under ministry of coal, at places like Korba, Churcha, Bisrampur and Kurasia, have also been empanelled.

Ten hospitals of Employees' State Insurance Corporation were empanelled, at Kalaburagi in Karnataka, Rudrapur in Uttarakhand and Ankleshwar in Gujarat, among others. The government's push to get public hospitals empanelled is due to a lack of secondary and tertiary healthcare facilities in poorer regions.

The PMJAY, launched in September 2018, aims to provide health insurance for secondary and tertiary hospitalization to over 100 million poor and vulnerable families, which would total around 500 million beneficiaries.

Since its launch, over 7.8 million patients have availed of insurance services under the scheme at over 21,271 hospitals across the country, information on the PMJAY website showed as of Saturday. However, a research conducted by PMJAY for April-July last year showed that there was disparity in where these services were availed of, based on the disease burden and socio-economic status.

(The writer is Leroy Leo.)

TOP

Source

An insurance plan that covers your friends too – The Times of India – 27th January 2020

Friend Assurance feature proposed by health insurance companies will now allow both friends and families to buy a health insurance policy, besides a discount awarded to the healthiest group.

Religare Health Insurance, Max Bupa Health Insurance and Kotak Mahindra General Insurance which had proposed the idea of 'friend assurance' under the Regulatory Sandbox had received Insurance Regulatory and Development Authority's (IRDA) nod earlier this month.

The insurance regulator has set February 1 as deadline to roll out this feature on pilot basis for a period of six months.

Under this policy, customers can now cover not just their families but also their friends under one policy number. "The objective is to acknowledge and reward people who lead a healthy life and so, why restrict only with the family. A 15% discount on premium at the time of renewal will be awarded if there are no claims made (for in- patient care) in the year," said Religare Health Insurance, which will make this new addition on its existing Group Care product, and offer under Rs 5 lakh - Rs 10 lakh cover.

This new policy will have similar benefits of any health insurance policy, and strength of the group will vary between five to 30. Under this concept, the group will be given scores based on various behaviours like number of doctor consultations, number of health checkups based on which renewal premium will be decided.

Max Bupa Health Insurance has decided to roll out the friend assurance feature on its existing group policy — Health Companion. "Depending on the group's cumulative score, we will decide the discount. We do estimate an average discount of 5%-10% if the entire group has a good score," Max Bupa's spokesperson said.

This friend assurance feature will be available on all its policies and on covers ranging between Rs 5 lakh and Rs 1 crore. "We have defined the group with a minimum of seven members, but no restriction on upper limit," he added.

Earlier IRDA had placed restriction on this concept, that a group cannot be formed just for purpose of buying insurance or availing discounts. The concern was that there should be a commonality in nature of members of group (a homogeneous group). This new product aims to get people to lead a healthier lifestyle, besides initiating social interaction among the members and keep them motivated.

Friend Assurance policy offers features similar to retail products, where the group that does not make any claim will get a 15% premium cash back at the end of year. It is available in few European countries like Germany, however, the form and format differ from that proposed in India.

TOP

Source

Policy push a must to boost social security – The Hindu Business Line – 26th January 2020

And this needs an enabling framework to give the aam aadmi life, health cover

Making Ayushman Bharat more comprehensive yet fool proof, convincing more people to buy health and life cover, boosting macroeconomic fundamentals in the wake of recessionary trends to arrest a possible dip in premium collections are issues to be addressed by the upcoming Budget.

The insurance sector has been on the radar of government in recent years, with schemes like Ayushman Bharat, Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Fasal Bima Yojana. There has also been traction on the regulatory front. The Insurance

Regulatory and Development Authority of India (IRDAI) is in the driving seat, to expand reach in the last one year. The first-of-its-kind Arogya Sanjeevani Policy made it mandatory for general and standalone health insurers to offer a standard individual health insurance policy from April 1, 2020 (they can also launch earlier but definitely from the next financial year).

According to IRDAI Chairman Subhash Khuntia, it will be particularly useful to the middle-class and senior citizens. It could be a potential game changer for health insurance, with a minimum sum assured of ₹1 lakh and upper limit of ₹5 lakh per term of one year and making buying health cover easy.

Another boost is the regulatory sandbox approach, which permitted many innovative, tech-driven products in health insurance and motor cover, besides some application platforms. These are to be piloted from April 1, 2020. However, a regulatory push has its own limitations. It is for the government to provide an enabling framework for these innovations to succeed and ensure their last-mile connectivity.

The Budget can play a key role by further incentivizing buying of health and life insurance.

With key sectors in manufacturing, such as automobile, facing challenges due to de-growth or tardy growth, there is a risk of fall in premium collections, going forward, already witnessed in corporate and income tax collections. So, a general medicine to galvanise economic growth by spending can indirectly work for insurance sector too.

There has been a demand and expectation among insurers for increase in upper limit of Foreign Direct Investment beyond the current cap of 49 per cent. It is learnt that the regulator sought opinions from the stakeholders on the matter last month. In her Budget speech in July 2019, Finance Minister Nirmala Sitharaman made a reference to a possible hike in FDI limit in insurance. Given the indications, it is likely the Budget will move in this direction.

While there are a few positives, the numbers underline the challenge ahead. Insurance still needs to travel further to give the *aam aadmi* greater social security, with life and health cover.

There is scope for expansion: life insurance penetration went up from 2.15 per cent in 2001 to 4.60 per cent in 2009. Since then, it exhibited a declining trend till 2014. There was significant increase in 2015, reaching 2.72 per cent and it remained the same the next year. It increased to 2.76 in 2017 but dropped to 2.74 per cent in 2018, as per data available with IRDAI.

Health insurance penetration in the country is still low due to lack of awareness and complexity of the existing products. Clear policy wordings will benefit existing customers and also bring in new ones, boosting reach.

The penetration of non-life is up from 0.56 per cent in 2001 to 0.97 now. So, there is still room for initiatives in the Budget to take insurance to the next level, to benefit the common man.

(The writer is G. Naga Sridhar.)

Source

Non-life insurers can offer standard health policies before April 1 - The Economics Times – 25th January 2020

Indian insurance regulator has permitted non-life insurers to sell the standardized health insurance policy prior to April 1, 2020.

In a circular dated April January 24, 2020, the Insurance Regulatory and Development Authority of India (IRDAI) said insurers can offer the 'Arogya Sanjeevani Policy' - the standard health insurance policy before April 1, 2020.

The insurance regulator has said general insurers and stand-alone health insurers selling health insurance policies should offer 'Arogya Sanjeevani Policy' on or before April 1, 2020.

The regulator also said those insurers currently not offering indemnity based health insurance policies will have to offer 'Aroygya Sanjeevani Policy' as and when they start selling the former product.

Earlier, the IRDAI had mandated non-life insurers to offer the standard health insurance policy from April 1, 2020.

TOP

Source

Health Insurance: Standard policy norms relaxed by IRDAI – Check details – Financial Express – 25th January 2020

Good news for the buyers of health insurance! In a circular dated January 24, the insurance regulator IRDAI has stated that the insurers may start offering the Standard Health Insurance Product anytime before the deadline of April 1. However, they need to definitely offer this product to buyers post that date. It may be noted that for the benefit of health insurance buyers, The Insurance Regulatory and Development Authority of India (IRDAI) had earlier asked all general and health insurance companies to offer a Standard Health Insurance Product from April 1, 2020, onwards. The Standard Health Insurance Product (SHIP), called Arogya Sanjeevani Policy, is expected to take care of basic health needs, carry similar policy wordings and enable seamless portability among the insurers. The new standard health policy is expected to make the buying experience much simpler for the individuals.

In its communication, IRDAI has stated that in partial modification of the Guidelines on Standard Individual Health Insurance Product, it is clarified that the insurers can start offering “Arogya Sanjeevani Policy” before 1st April, 2020. They, however, have to ensure that this product is definitely offered on or before 1st April, 2020. However, if any insurer is currently not offering indemnity based health insurance products at all, the above stipulation about an early launch will not apply to those. As and when those insurers start offering indemnity based health insurance products, they will have to also offer the standard product “Arogya Sanjeevani Policy”

To keep the comparison between different Standard Health Insurance Product (SHIP) easier, the name of the plans of each insurer will have to follow the same nomenclature. For example, Arogya Sanjeevani Policy SBI General insurance, Arogya Sanjeevani Policy Apollo Munich etc.

Arogya Sanjeevani Policy is an indemnity policy which means it will work on a reimbursement basis. The claim will be paid by the insurer depending on the amount of hospital bill but restricted to the sum insured. Each Arogya Sanjeevani Policy of the insurer will have some basic mandatory covers which shall be uniform across the market. The premium, however, may be set by the insurers on their own.

Some common mandatory coverage will be hospitalization expenses, pre-post hospitalization, Ayush treatment, cumulative bonus amongst others.

Arogya Sanjeevani Policy will be available on both individual lives and on Family Floater basis. The Minimum and maximum sum insured in the Arogya Sanjeevani Policy will be Rs 1 lakh and Rs 5 lakh respectively. The minimum and maximum entry age will be 18 and 65 years while for children under Family Floater policies, it will be 3 months to 25 years. It remains to be seen which insurance company launches the Arogya Sanjeevani Policy for the first time in the industry. Once the policy wordings are evaluated, it will result in a better buying decision.

(The writer is Sunil Dhawan.)

TOP

Source

CROP INSURANCE

How to improve crop insurance coverage – The Hindu Business Line – 31st February 2020

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

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

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

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

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

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

Scheme specifics

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

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

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

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

Implementation gaps

Despite large payouts, there is a negative perception regarding crop insurance schemes, primarily because there have been issues regarding claims assessment, settlement and quantum. Further, three States and four private insurers have decided to move out from the purview of the scheme. While reviewing the PMFBY, the Group of Ministers should inter alia address the implementation gaps and then do a cost-benefit analysis.

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

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

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

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

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

Utility for farmers: The ₹6000-payment under the PM-Kisan can additionally reimburse the insurance premium payment as an add-on, so that the farmer takes direct responsibility for obtaining the insurance coverage and protecting his income. A critical measure of success will be the extent to which crop insurance leads to income stabilizationP for the farmers in a manner similar to that envisaged in the 1920 scheme.

(The writer is M. S. Pillai.)

TOP

Source

Crop cover premia near Rs 6,200 crore in April to December - The Asian Age – 28th January 2020

A steep revision in property premium rates by national reinsurer GIC Re and a revision in the mandatory motor third premium rates by the insurance regulator have helped the non-life insurance companies to beat the slowdown witnessed in other key segments such as motor own damage, engineering and marine, thereby clocking an overall growth of 15 per cent for the nine months of this fiscal.

The non-life insurance companies underwrote a gross premium of Rs 1.42 lakh crore during April to December 31, 2019 compared to Rs 1.23 lakh crore during the same period a year ago. Surprisingly while private players such as ICICI Lombard, HDFC Ergo General, Tata AIG and Cholamandalam stayed away from the risky crop insurance business, the four public sector general insurance companies, Agriculture Insurance Company and the remaining private players aggressively wrote crop insurance to boost their top line which saw the segment seeing a 27 per cent growth during the nine months of this fiscal to Rs 26486 crore.

The four PSU insurers— New India Assurance, Oriental Insurance, National Insurance, United India— clocked 74 per cent growth in crop insurance to Rs 6,197 crore up to December 2019.

Mirroring the slowdown in auto sales, the motor own damage insurance portfolio grew by a mere 1 per cent to Rs 19,919 crore while the motor third party premium portfolio grew by 15 per cent Rs 31,166 crore. The insurance regulator that regulates the rates the mandatory motor third party premium rates had increased the rates by 12 to 21 per cent for cars and bikes besides allowing insurers to float long-term policies which helped the business. The national reinsurer GIC Re in February 2019 had passed an endorsement stating that insurers wanting to use its treaty (an arrangement where capital is pooled by various reinsurers to support insurance firms) will have to quote higher premium rates from March 1 for providing covers to companies in 8 sectors that were reporting high claims.

(The writer is Falaknaaz Syed.)

Source

TOP

PM Fasal Bima Yojna back in the slow lane — check premium collected, claims paid – Financial Express – 27th January 2020

Even as sowing for the winter crop 2019-20 is about to conclude, settlement of crop insurance claims pertaining to the last kharif season is progressing at a tardy pace. Until December 31, the total claims honoured by insurers for kharif 2019 crop damages reported by farmers under PM Fasal Bima Yojana (PMFBY) were just Rs 153 crore, while the previous summer crop saw insurance payouts to the tune of Rs 14,500 crore.

What's also puzzling is a trend of lower-than-expected claims — Rs 430 crore till December 31 — despite large-scale crop damages in the season, owing to prolonged monsoon showers.

Of course, these are still early days — most insurance claims for kharif season are usually made by March, although the filings could continue for a few more weeks – but analysts observe a delay in endorsement of claims applications by the government and insurers.

In September 2018, the government tweaked the PMFBY guidelines to address the issue of delays in claims settlement by making insurers liable to pay 12% interest for payments made after the deadlines set for different crop cycles.

Since insurance companies were complaining that the delays in claims settlement were due to non-payment of premium by the state governments, it was also mandated states too pay 12% interest for the delay in release of their share of premium beyond three months from the cut-off dates. As a result of these steps, a significant improvement was noticed in claims settlements in 2018-19 crop year, that coincided with Parliamentary elections. Previously, farmers had to wait for months – sometimes even a year – to receive the insurance payments.

As reported by FE earlier, four private insurance companies — ICICI Lombard, Tata AIG, Cholamandalam MS, and Shriram General Insurance — have opted out of the government's flagship corp insurance scheme for both the kharif and Rabi seasons of the 2019-20 crop year. Claims ratios in the states where they were operators in the previous year were quite high, leading to losses from the business. Crop damages in Maharashtra, Andhra Pradesh, Haryana and Chhattisgarh in crop year 2018-19 pushed the claims by farmers up against the premium collected by the insures, to over 100%, even as the ratio on a pan-India basis was only 75.4%.

Indications were that the claim-to-premium ratio could be very high in many states, including Maharashtra and Karnataka, for kharif 2019, consequent to the prolonged monsoon rains that damaged key crops like pulses, cotton and soyabean.

For the last summer crop, gross premium collected was Rs 25,853 crore. "The data on estimated claims are yet to be finalised and at very preliminary stage," a source said. The government's estimates show nearly 64 lakh hectare of kharif areas were inundated by heavy rains during monsoon season last year, while private weather forecaster Sky met had put it at 32 lakh hectares of crops areas in 137 districts of 12 states. The total crop area insured by farmers was 303 lakh hectare during kharif 2019.

Last year, the withdrawal of monsoon commenced from west Rajasthan on October 9 against the normal date of September 1, making it the most delayed withdrawal since 1961. The country had received 110% of the long period average (LPA) rains during June-September monsoon season.

Since farmers pay a fixed premium under PMFBY, the subsidy burden on the government increases when premium rates go up. Insurance is taken by farmers before sowing and the premium quoted by the insurance companies is mainly based on monsoon forecast. Under PMFBY, launched in 2016, farmers pay 1.5% of sum insured for Rabi crops and 2% for kharif while it is 5% for cash crops. The balance premium is split equally between the Centre and states.

The Centre is under pressure to make necessary changes, including making crop insurance optional for loanee farmers, after Andhra Pradesh, West Bengal and Bihar decided to exit the scheme. Punjab has never rolled out the scheme, saying that the premium should be customised for states on the basis of irrigation infrastructure.

(The writer is Prabhudatta Mishra.)

Source

TOP

MOTOR INSURANCE

Uninsured vehicles: Owners to get alerts, courtesy of a tie-up between IRDA, State Transport Departments – The Hindu Business Line – 31st January 2020

Owners of uninsured vehicles in States such as Telangana, Karnataka, Odisha and Rajasthan, have either started getting text messages or will soon get a text message on their mobile phones from insurance statistics body IIBI nudging them to insure their vehicles.

This is possible after insurance regulator asked States to share their vehicle database with Insurance Information Bureau of India (IIBI). As a result, data regarding the uninsured vehicles could be sieved out from the insured vehicles, and messages could be sent to the phone numbers of owners of uninsured vehicles.

Transport Commissioners of various States could also send messages after the reminder message (if they wish to), said TL Alamelu, Member (Non Life), Insurance Regulatory and Development Authority of India (IRDAI) at a conference on road safety and insurance. Bihar is also likely to join the initiative soon.

In India, all vehicles are mandated to have third party insurance, but a large chunk of vehicles are uninsured. This text message is different from the reminder that vehicle owners get from their insurance companies at present. India records highest road crash fatalities, and is on a mission to lower accidents and deaths in the country.

Pointing out the gap in insured vehicles, Alamelu said that about 89 per cent of vehicles in urban areas are insured, while 11 per cent of vehicles in rural areas are insured. Alamelu hoped that IRDA will get support from the Transport Ministry in making sure all vehicles are insured. Road Minister Nitin Gadkari and Secretary Sanjeev Ranjan assured all support for the initiative.

TOP

Source

Now, government will fix third-party insurance premia - The Economic Times – 30th January 2020

In a first, the road transport ministry will notify the third-party insurance premium for motor vehicles in consultation with the insurance regulator, IRDA. The change was introduced in the Motor Vehicle Act to ensure that consumer interest is protected and there is some check on the influence of insurance firms to increase the premium for mandatory third-party insurance, sources said.

"Earlier we used to fix the premium for third-party insurance cover. Once the rules are framed, this will be the task of the transport ministry. The amended law says that for the purposes of third party insurance related to either death of a person or grievous hurt, the central government shall prescribe a base premium and the liability of an insurer in relation to such premium for an insurance policy," a senior functionary of Insurance Regulatory and Development Authority of India told TOI. Currently, IRDA has the authority to notify the premium amount for different categories of vehicles.

A government source said there had been complaints by transporters and owners of commercial vehicles that IRDA usually increases their third-party premium abnormally every year and this has been one of the reasons for transporters' strikes in the past. He added that IRDA was reluctant to revise the rate even after meetings were held with officials from finance and transport ministry in 2017.

The transport ministry will soon notify the rules specifying how it will fix the premium amount for each category of vehicle. To ensure that insurance firms settle claims quickly, the Centre is likely to extend the mandatory submission detailed accident report by police to motor accident tribunals within one month of accident to all states. This will ensure quick relief to victims as the compensation payment will get expedited.

(The writer is Dipak K Dash.)

TOP

Source

FASTags should be mandatory for vehicle insurance: Nitin Gadkari - The Economic Times (Delhi edition) – 29th January 2020

Stressing on the need to bring more vehicles under the ambit of insurance, Gadkari said FASTags should be made mandatory for obtaining vehicle insurance. "There should be a rule that along with other documents, FASTags should be mandatory for requiring vehicle insurance," Gadkari said on the sidelines of a workshop on motor vehicle insurance and road safety here on Tuesday.

According to IRDAI, about 40% of vehicles in the country are not under the ambit of insurance. Commercial vehicles are highly compliant, at 80%, while only 60% of private four-wheelers in the country are insured.

The government has mandated electronic toll collection via FASTags across national highways.

TOP

Source

Transport departments to alert vehicle-owners about third-party insurance – The Times of India – 29th January 2020

Vehicle owners will now receive messages from the transport department if their vehicle doesn't have third party insurance or the policy has expired. Insurance regulator, IRDAI, will run a pilot project with some of the states including Karnataka, Bihar, Odisha, Andhra Pradesh and Delhi, which will also alert the first owner to find whether the successive owners have updated their details.

"Telangana transport department has already started sending messages to the vehicle owners. While the Insurance Information Bureau has details of all insured vehicles, the Central government's Vahan database has details of all registered vehicles.

The transport departments can easily find out which vehicles have no insurance by simply comparing the data from these two sources," said Yagnapriya Bharath, CGM of IRDAI while addressing a workshop on role of general insurance in road safety.

She said messages are sent to the mobile numbers linked to the vehicle registration number. "In case you have sold your vehicle, but still receive messages you can try to track down the new owner.

Otherwise, the challans for offences committed by the new owner will keep landing at your address. This has proved to be beneficial to many in Telangana where the project has started," an official said.

Union road transport minister Nitin Gadkari told general insurance industry leaders that the government is taking several initiatives to increase third-party insurance coverage. He said in 2018, the Supreme Court had also made two-wheeler insurance compulsory for five years and four wheeler insurance for three years for new vehicles.

Highlighting how vehicles without insurance have been a major cause of concern, IRDAI member TL Alamelu said currently at least 40% of the vehicles on road don't have the mandatory third-party insurance cover. "Nearly 80% of two-wheelers don't have the insurance cover," she pointed out.

Officials from General Insurance Council also cited how the insurance coverage of vehicles is more prevalent in urban areas (nearly 89%) due to presence of traffic police and other enforcement agencies.

Under the third-party insurance provision, the responsibility of compensating an accident victim shifts from vehicle owner to the insurance company.

(The writer is Dipak K Dash.)

TOP

Source

Government to nudge vehicle owners to get insurance – Mint – 28th January 2020

The government is working out ways to nudge vehicle owners to get third-party insurance policy, so that they able to safeguard themselves from any financial liability in case of an accident.

Currently, Insurance Regulatory and Development Authority of India (IRDAI) is working on a pilot scheme with some states--Telangana, Karnataka, Rajasthan and Bihar—to extract data pertaining to insured and uninsured vehicles. The government will then send messages to vehicles owners without insurance, in a bid to have greater compliance. "The pilot scheme has already been rolled out by Telangana," IRDAI member TL Alamelu said on Tuesday.

In 2018, the Supreme Court had made two-wheeler insurance compulsory for five years and four wheeler insurance for three years as far as purchase of new vehicles are concerned, transport minister Nitin Gadkari said. There is a provision of the fine amounting to ₹2,000, under the Motor Vehicles Act, in case of any default.

Under the third party insurance, the responsibility of compensating an accident victim shifts from the vehicle owner to insurance company, as not all vehicle owners are in a position to compensate the injured. This comes in the backdrop of India being one of the countries with highest number of road accident related deaths. There were 1, 51,417 deaths due to road accidents in 2018, an increase of 2.3% from 2017, according to road ministry data.

As much as 40% vehicles plying on the road are not insured. Commercial vehicles have the highest compliance with 80% of them insured, while 80% of the two wheelers not insured. In case of private cars, 60% of them are insured. Incidentally, in 2018, 31% of death due to road accident was because of two wheelers. Gadkari also called for including the road projects in the country into the ambit of insurance. He said that several countries such as Canada, Australia, USA, South Africa and UK are following the practice of insuring infrastructure projects.

The transport ministry is also setting up a Motor Vehicle Accident Fund, which will fund the amount for compensation for hit and run cases, the minister said. The fund will also be used for medical treatment of accident victims, he said.

(The writer is Shreya Nandi.)

Source

TOP

Things to check before buying motor insurance – Mint – 27th January 2020

Over the past few years, there have been several instances when friends buying new cars have called to check on the motor insurance they were offered by the dealer. Although an alternate insurance may have been more economical, my friends went ahead with the dealer's offer because they felt it was better or a safer option in some way. However, that's not necessarily correct.

Motor insurance, with an industry premium of about ₹65,000 crore, is the largest selling product in general insurance. It includes the purchase of motor insurance when you buy a new vehicle and also when you renew insurance. The sales processes for new and renewal insurance are different but the focus over the past few years has been on new sales. This purchase takes place when you buy a new car and is, most often, bought from the car dealer itself. The sale is even more important now because recent regulations require a three-year third-party insurance to be sold at the point of sale rather than the erstwhile one-year product. New business insurance sales involve the automobile manufacturer (OEM), dealers, intermediaries, insurers and you. This sequence also often reflects the priorities in the sales process.

New motor insurance purchase is not something most think about seriously. Why should you because the insurance cost in proportion to the vehicle is so small? A car costing ₹10 lakh will have an insurance premium of about ₹35,000, just 3.5%. And, the dealer convinces us that their insurance is the best. Much regulatory effort has gone into ensuring that buyers get a fair deal. In August 2017, the regulator issued the Motor Insurance Service Provider (MISP) regulations that clearly specified dos and don'ts for dealers and intermediaries. Two and a half years later, the regulator has taken several large insurance distributors to task and collectively fined them over ₹10 crore. What are the issues at stake? And how best should you buy insurance for your new car?

First, you are not obliged to buy motor insurance from the dealer that sells you the new car. In fact buying elsewhere can save you money. Determining the insurance cost at a dealer can be difficult because the premium is sometimes bundled into the overall purchase cost. This is illegal. The insurance premium has to be separately stated. You should look at this and check the terms outside the dealer network before buying. A savings of ₹5,000-10,000 is possible for a car worth ₹10 lakh, if you put in the effort, and the amount saved can be much larger in case of more expensive vehicles.

Second, your dealer or MISP broker must offer you products from all the insurers and not a select panel. The rationale is that panels can be selected based on the intermediary's best interest rather than the vehicle buyer's. The regulator has come down heavily on this through hefty fines and reiterated its stand that all the insurers should be allowed to compete at dealer networks.

Third, you cannot be induced or coerced into buying motor insurance from the car dealer. Insurance is a large part of a dealer's profit, which is why there is considerable sales pressure and push. Positive inducement can take various forms, including the promise of cashless claim settlement only for insurance bought from the dealer, or a lower vehicle price, or complementary add-ons.

Negative coercion can be by way of a car dealer saying that buying motor insurance elsewhere will delay your vehicle delivery or the claims will not be passed or that cashless claims services will not be provided. These assertions are incorrect because most insurers will issue your new vehicle insurance, without a registration number, soon after getting a pro forma invoice. Similarly, insurers do not differentiate their claim process by channel. The regulator has come down on these sales practices by levying fines in cases where dealers were incentivized by OEMs to sell insurance. These regulatory orders are a reminder of what buyers should expect from a motor insurance cover. Specifically, they can buy insurance from wherever they want, MISPs must share terms from all insurers, insurance premiums must be clearly demarcated from the overall cost, and the product or claim settlement process cannot differ based on where you bought the insurance from.

(The writer is Kapil Mehta.)

TOP

Source

REINSURANCE

GIC Re hikes premiums for property insurance segment under fire portfolio – Business Standard – 25th January 2020

General Insurance Corporation (GIC Re), the country's national reinsurer, has increased its premiums for the property insurance segment across all 291 occupancies which come under the fire portfolio, effective January 1, 2020. It had previously informed general insurers via a circular about its intention to raise premiums, said sources aware of the development.

GIC Re informed general insurers that it will follow the Insurance Information Bureau (IIB) rates for all occupancies. This means that the rates for fire-related mishaps, which are very low at present, will increase sharply. “Premiums for public sector insurers may go up by 50 per cent and for private sector general insurers, it may rise 22-25 per cent,” said a source in the know.

GIC has informed insurers that they will have to follow the burn cost concept, which is basically the break-even rate.

“GIC is saying that general insurance companies should follow the burn cost as minimum price. So, structurally, we are now moving to risk-based pricing. In the near term, when risk-based pricing is adopted, there will be occupancies where premiums will go up. There will also be occupancies where premiums will come down,” said a private sector general insurance executive.

“Overall, the industry has seen a lot of catastrophic events, risk events and there were a lot of losses. So, it was needed that the industry had a defined an approach to pricing. This is part of the maturity curve which was in any case going to happen,” he further added.

On an overall basis, premiums will increase for end customers. The impact of increase in premiums for individual insurers will be different, depending on the kind of risk they are participating in. However, there will be an overall increase in the rates and it will come close to the burn cost. The current rates insurers were operating with had no benchmark. “Rates, which were very low so far for end customers, will go up now,” said Sanjay Datta, chief-underwriting & claims at ICICI Lombard General Insurance.

“The change in tariff will result in an increase in our premiums by 30 per cent. We collect around Rs 4,000 crore from the domestic fire segment, which is around 8 -9 per cent of our business,” said Reena Bhatnagar, general manager, GIC Re. Last time when GIC Re increased premiums for eight occupancies, it had said the rationale behind it was that these lines of occupancies had claims ratio which were over 200 per cent. The entire fire portfolio is seeing a revision, with rates going up as much as 2-3 times, an executive of an insurance broking firm said.

The market has behaved in a mature manner than the last time GIC Re raised premiums. Some bodies have written to GIC Re and it has communicated that these are dynamic rates. IIB has been constantly taking data from the industry so as facilitate rate revision, said a public sector general insurance executive.

Since de-tariffing in 2007-08, there was competition among general insurers to get as much business as they can. In the process, they were not charging rates commiserating with the type of risk they were underwriting.

All the general insurers have treaties with GIC Re wherein the entire portfolio of risk is reinsured with the reinsurer. In India, GIC Re is leading most of these treaties and there are other reinsurers that further support GIC Re in these treaties. With a revision in rates, GIC Re is basically saying that if the general insurers want to put the risk into their treaty, the minimum rate they need to charge should be as per the rate prescribed by the IIB.

(The writer is Subrata Panda.)

Source

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SURVEY

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

The Survey was tabled in Parliament on Friday by Finance Minister Nirmala Sitharaman. A total of 28,005 such centres have already been set up as on January 14, 2020, it added. "Under Mission Indradhanush, 3.39 crore children and 87.18 lakh pregnant women in 680 districts across the country have been vaccinated," the Survey noted.

New vaccines such as Measles-Rubella (MR), Pneumococcal Conjugate Vaccine, Rotavirus Vaccine and Inactivated Polio Vaccine have also been introduced, it added. "As per the latest National Health Accounts (NHA) 2016-17, the out of pocket expenditure as a percentage of total health expenditure has declined from 64.2 per cent in 2013-14 to 58.7 per cent in 2016-17," the Survey said.

Primary healthcare accounts for 52.1 per cent of India's current public expenditure on health as per the National Health Estimates, 2016-17. The National Health Policy, 2017 recommended to spend at least two thirds of the government's health expenditure on primary healthcare, it added.

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

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

In addition, Pradhan Mantri Bharatiya Jan Aushadi Pariyojana (PMBJP) and Pradhan Mantri National Dialysis Programme (PMNDP) are some of the new initiatives that address the issue of high OoPE on account of drugs and hospital care, the Survey said.

According to the Survey, to address the shortage of doctors, the government has embarked on an ambitious programme for up gradation of district hospitals into medical colleges. In last 5 years, the government has sanctioned 141 new medical colleges.

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

"The focus of healthcare is on four important pillars - preventive healthcare, providing affordable healthcare, building medical infrastructure and mission mode interventions for maternal health, child health and to combat communicable and non-communicable diseases...," it added.

With the marked increase in burden of non-communicable diseases, the government is focused on addressing this epidemiological transition from communicable diseases to no communicable diseases, the Survey said.

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Source

INSURANCE CASES

Delay in notifying insurer about car theft no ground to deny claim: SC – The Times of India – 27th January 2020

The Supreme Court on Monday said mere delay in intimating the insurance company about theft of a vehicle should not be a ground to deny insurance claim if the aggrieved person had informed police on time.

A bench of Justices N V Ramana, R Subhash Reddy and B R Gavai agreed with the SC's verdict of 2017 in which it had held that it would be taking a hyper technical view if the claimant is denied claim on the ground that there is some delay in intimating the insurance company about the theft. The insurance company, however, claimed it is stipulated in the Standard Form for Commercial Vehicles Package Policy that claimant will immediately inform the company in case of theft and claim can be denied in case of not complying with the condition.

Rejecting the plea of the company, the bench said, "...if police is immediately informed about the theft, the police machinery can be set in motion and steps for recovery of the vehicle could be expedited. In a case of theft, the insurance company or a surveyor would have a limited role...We, therefore, hold that when an insured has lodged an FIR immediately after the theft..., mere delay in intimating the insurance company... cannot be a ground to deny the claim of the insured".

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Source

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

UT Police's cyber crime cell busted a fake call centre operating out of Ghaziabad in Uttar Pradesh, from where over 100 people, including three from Chandigarh, were duped on the pretext of reviving their expired insurance policies. While six persons accused of committing the fraud have been arrested, one of the accused is on the run. As per the police, they had received a complaint from Chander Mohan Munjal, an advocate and a resident of Sector 21, Chandigarh, that he had received a phone call from a person claiming to be an employee of HDFC Bank. Munjal stated that the caller told him that his life insurance policy had lapsed and he had to renew it. He believed the caller as his policy had indeed lapsed and he deposited ₹3, 58,000 in three different accounts of three different banks.

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

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Source

PENSION

National Pension System: Is your NPS complaint still unresolved? This could be the reason - Financial Express – 30th January 2020

Do you want to check your NPS complaint status? There is a proper process in place to register your NPS grievance and even check the NPS grievance status. However, for NPS grievance tracking, you need to ensure that your NPS complaint is registered in the central grievance management system (CGMS). As a National Pension System (NPS) subscriber if you have a grievance that still remains unresolved, make sure that it is registered in the CGMS. The NPS Trust has directed all the POPs to mandatorily enter subscriber grievance in the CGMS portal.

Points of Presence (POP) are authorised by PFRDA to enable the opening of NPS account, carry out transactions and help subscribers to modify account details etc. POPs are allowed to undergo NPS services through their network called POP-Service Providers. Some common POPs includes ICICI Bank, HDFC Bank, SBI Bank, CAMS, Karvy etc.

As per the regulations, the POPs are responsible for receiving and uploading grievances into CGMS and resolve them. POPs are bound to upload the grievance but NPS trust in its communication to POPs state that they had observed grievances and complaints which are received by the POPs outside of CGMS portal through e-mails, letters etc. are generally not entered in the portal.

This practice may lead to difficulty in NPS grievance tracking process for every stakeholder in the system. NPS Trust has directed the compliance officer to ensure that all such complaints received outside the CGMS system get uploaded and resolved accordingly.

The next time when you reach out to the POP and register your complaint, make sure that the NPS grievance has been uploaded in the CGMS by the POP. You may ask for the token number or the registration number of the NPS grievance once it is uploaded by POP.

Alternatively, you can lodge NPS grievance directly with CGMS. Once lodged, the grievance is directed to the concerned intermediary or POP for taking necessary action to resolve the grievance. Once resolved, the resolution is intimated to the subscriber over email and can also be tracked online.

(The writer is Sunil Dhawan.)

Source

TOP

General Provident Fund: Govt declares interest rate on GPF, other funds – Check details – Financial Express – 27th January 2020

The government has declared interest rate on General Provident Fund and other similar funds for the January-March quarter. The Budget Division of Department of Economic Affairs, under the Ministry of Finance, has recently issued the notification that the fund accumulation at the credit of subscribers of General Provident Fund (GPF) and other similar funds will carry an interest rate of 7.9 per cent for the period January to March 2020. The GPF interest rate from January 2020 to March 2020 is 7.9 per cent.

Earlier, the interest rate for the post office small savings products such as Public Provident Fund (PPF), NSC etc were kept constant for the quarter January-March, 2020. Currently, the interest rate on PPF is 7.9 per cent per annum compounded annually.

As per the website of The Ministry of Personnel, Public Grievances and Pensions, the General Provident Fund (Central Services) Rules 1960 applies to all temporary government employees after a continuous service of one year, all re-employed pensioners (other than those eligible for admission to the Contributory Provident Fund) and all permanent government employees. The subscription to Provident Fund is stopped three months prior to the date of superannuation.

Contributory Provident Fund Rules (India), 1962 is applicable to every non-pensionable servant of the Government belonging to any of the services under the control of the President. The Rules provide for the withdrawal of advances or withdrawals from the CPF for specific purposes. As in GPF Rules, the CPF Rules also provide for Deposit Linked Insurance Revised Scheme.

At the start of each quarter of the financial year, the government revises the interest rate on small savings schemes and subsequently declares the rate on GPF and other schemes.

The interest rate of 7.9 per cent for the period January to March 2020, effective January 1, will apply to all the following funds:

- The General Provident Fund (Central Services).
- The Contributory Provident Fund (India).
- The All India Services Provident Fund.
- The State Railway Provident Fund.
- The General Provident Fund (Defence Services).
- The Indian Ordnance Department Provident Fund.

- The Indian Ordnance Factories Workmen's Provident Fund.
- The Indian Naval Dockyard Workmen's Provident Fund.
- The Defence Services Officers Provident Fund.
- The Armed Forces Personnel Provident Fund

(The writer is Sunil Dhawan.)

Source

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IRDAI CIRCULARS

Guidelines on filing of Re-insurance arrangements with the IRDAI

Source

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Updated List of Non-life Insurers

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List of Products/add-on noted during the FY-2019-20 (up to December-2019)

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Guidelines on Group Health Insurance Policies upon Merger of Public Sector Banks (PSBs)

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Gross premium underwritten by non-life insurers within India (segment wise): UP TO Dec 2019 (Provisional & Unaudited)

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GLOBAL NEWS

Thailand: Insurance sector acts to offer cover for coronavirus – Asia Insurance Review

The Office of Insurance Commission (OIC) and insurers have agreed in principle to provide insurance products with corona virus coverage for both foreign visitors and locals.

According to a report in The Bangkok Post, insurance companies will develop travel insurance that provides medical and death coverage to foreign travellers to build up their confidence when they visit Thailand and support the country's tourism industry, said OIC secretary general Suthiphon Thaveechaiyagarn.

To alleviate any unexpected impact from the corona virus on local residents, the OIC approved insurers developing insurance products with corona virus coverage. Several insurers are offering additional coverage to their existing health insurance policyholders, said Mr Suthiphon.

The OIC has instructed insurers to prioritise corona virus insurance product development.

"We need to join forces to overcome this epidemic and prove the insurance system can effectively relieve people's plight," said Mr Suthiphon.

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Source

Philippines: Private sector CAT pool to be formed with NatRe as reinsurer - Asia Insurance Review

The Insurance Commission (IC) has signed a memorandum of understanding (MOU) with the Philippine Insurers and Reinsurers Association (PIRA) and National Reinsurance Corp of the Philippines (NatRe) to set up a Philippine Catastrophe Insurance Facility.

The facility will provide catastrophe risk insurance for the private sector, reported *Business Mirror*. The pool could be bigger than the planned PHP1tn ($19.6bn) insurance cover for government assets.

PIRA executive director Michael F Rellosa said that insurers would like the insurance facility to cover damage to private assets caused by typhoons, flooding, as well as earthquakes, and have yet to talk about whether the facility would also cover damage from volcanic eruption. One reason for establishing the facility is to maximise the retention of business in the country, Mr Rellosa said. He said that the insurance regulator and insurers are targeting to launch the facility as soon as possible, especially after a technical working group has been able to iron out the details for the planned insurance mechanism.

CAT pool to be reinsured by NatRe
Insurance Commissioner Dennis B Funa said the regulator aims to provide a framework for greater financial resilience to vulnerable sectors of society. “We want our target crowd to appreciate the importance of property insurance as a risk transfer mechanism in the event of disaster,” Mr Funa said in a speech at an event marking the IC's 71st anniversary.

Mr Funa told reporters that the proposed insurance facility would be a non-life pool with reinsurance cover to be provided by NatRe. He added that legislation could be proposed to make it mandatory for Filipinos to buy catastrophe risk insurance.

He added, “The problem here with the private sector, if it’s not compulsory, mandatory; the ordinary citizens will not buy insurance voluntarily, so that’s the missing link. There’s no compulsion to buy earthquake insurance….That’s a matter for legislation which we can propose,” he said. Referring to the planned facility, he said, “It’s going to be bigger than the public sector because — imagine — all households that can be covered.”

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Source

Coronavirus outbreak paves the way for new cyber risks - Asia Insurance Review

With the deadly novel corona virus (2019-nCoV) grabbing all the media headlines at the moment, cyber criminals are now taking advantage of the public's panic and anxiety about the worldwide epidemic as bait to spread malicious files.

This poses substantial cyber risks to businesses as well as individuals who may become victims of cyber attacks as they prowl the web for more information on the newly-declared global health emergency.

The malicious files are disguised as pdf, mp4, docx documents related to the newly discovered corona virus, found Kaspersky detection technologies. While the names of files imply that they contain video instructions on how to seek protection from the virus, updates on the threat and even virus detection procedures – that is not actually the case.

In fact, these files contained a range of threats from Trojans to worms which are capable of destroying, blocking, modifying or copying data as well as interfering with the operation of computers or computer networks.

"So far we have seen only 10 unique files, but as this sort of activity often happens with popular media topics then we expect that this tendency may grow. As people continue to be worried for their health, we may see more and more malware hidden inside fake documents about the corona virus being spread," said Kaspersky malware analyst Anton Ivanov.

To avoid falling victim to cyber attacks while searching for corona virus-related information, Kaspersky recommends taking the following steps:

• Try to avoid suspicious links, promising exclusive content. Refer to official sources for trustworthy and legitimate information.
• Look at the downloaded file extension. Documents and video files should not have been made either .exe or .lnk formats.
• Use a reliable security solution for comprehensive protection from a wide range of threats.

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Source

Malaysian insurers demonstrate leadership in coronavirus emergency - Asia Insurance Review

All life insurers and takaful operators in Malaysia will provide hospitalisation coverage or treatment to policyholders infected by the novel corona virus (2019-nCoV), announced the Life Insurance Association of Malaysia (LIAM) and Malaysian Takaful Association (MTA) in an official statement.

The World Health Organization has just declared the outbreak of the corona virus as a global health emergency with nearly 10,000 cases reported globally at the time of writing. Malaysia has had eight cases so far.

In light of the increasing number of people who have been affected, Malaysian life insurers and takaful operators are responding to an immediate national need by waiving the exclusion on quarantine by law. This is despite the fact that a majority of the medical policies/certificates carry exclusion on communicable diseases requiring quarantine by law, said LIAM CEO Mark O'Dell. "Policyholders/certificate holders are advised to check with their respective insurance companies/takaful operators for the benefits and terms and conditions of their health insurance policy/takaful certificate," he said. LIAM and MTA also advised Malaysians to take precautionary measures as recommended by the Ministry of Health Malaysia, such as practicing the highest standard of hygiene by often washing hands with soap or hand sanitizers, using a face mask and avoiding visits to crowded places.

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Indonesia: Govt approves major reform easing rules affecting foreign ownership of insurers - Asia Insurance Review

Indonesia is now allowing foreign investors to own more than 80% of shares in locally-listed insurance companies, loosening a rule that has for a long time stopped foreign insurance companies from expanding their business in Indonesia.

Under previous regulations, the government capped foreign ownership at 80%, undermining the insurers' ability to expand, reported *The Jakarta Globe*.

Foreign investors have long lobbied the government to change the rule, arguing they had not been able to inject new capital to carry out expansion plans. Their local partners, more often than not, did not have enough money to keep their ownership from being diluted.

With the government agreeing to make changes, President Joko "Jokowi" Widodo signed a presidential regulation on 16 January to allow an exemption from the cap for foreign investors if they could raise their capital through an initial public offering in Indonesia.

The rule also drops the requirement for a local partner, which, according to the old rule, had to be a locally-based entity wholly controlled by Indonesian citizens.

Mr Dody Dalimunthe, the executive director of the Indonesian General Insurance Association (AAUI), welcomes the new rule, saying foreign investors' local partners are often individuals with either shallow pockets or little expertise to commit more capital in the insurance industry.

"The government's latest policy seems to accommodate the real needs of the insurance business, [to help it] maintain its stability and sustainability," he said.

The new regulation comes as the local insurance industry is once again in crisis. Asuransi Jiwasraya, the largest state owned life insurer, currently needs IDR32tn ($2.4bn) in capital injection to keep it afloat following years of mismanagement and alleged fraud.

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Indonesia: Life insurers call for policyholder protection agency & offer perspective - Asia Insurance Review

The Indonesia Life Insurance Association (AAJI), the sole association for life insurance companies in Indonesia, has issued a statement urging the government to establish immediatelya Policy Guarantee Institution (LPPP) as mandated in the Insurance Act.

The statement adds this would be in line with the government's efforts to resolve the Jiwasraya problem so that payments owing to customers can be made immediately.

The document also says, “AAJI hopes that the government will continue to carry out intensive and effective risk-based supervision as an effort to detect the potential failure of the company in fulfilling its obligations to customers and to take the necessary steps appropriately.

"AAJI is always ready to work together with the government and OJK to create a healthier and more conducive business climate for the life insurance industry, increase customer protection, and implement measurable and sustainable financial literacy and inclusion programmes."

The statement follows weeks of news about the insolvency of 160-year-old state owned life insurer Asuransi Jiwasraya which failed to pay holders of matured policies under its JS Saving Plan, a product that integrates life insurance and investment. Jiwasraya's financial mismanagement was blamed for the default which was first announced in October 2018 when matured policies reached IDR802bn (US$58.5m). The insurer reportedly owes customers IDR16.42tn.

Separately, another state-owned insurance firm, Asuransi Sosial Angkatan Bersenjata Republik Indonesia (Asabri), has reportedly chalked up investment losses of IDR10tn. The company said that it would be able to pay policyholders as its losses are temporary. AAJI says in its statement that it deeply regrets the recent failure by insurers to pay life insurance benefits.

Pointing out that at end-December 2019, there were 60 life insurance companies which were association members. Therefore, it adds, the default by the insurers concerned cannot be used as a benchmark regarding the overall condition of the life insurance industry.

In addition, the life insurance industry in the third quarter of 2019 recorded increases in payments of life insurance benefits as follows:

The association says that data from members for the third quarter of 2019 show that the life insurance industry has made significant contributions to society and Indonesia's development as follows:

i. 62,581,600 people have life insurance coverage, an increase of 14.7% compared to the 3Q2018;
ii. The total assets of the life insurance industry amounted to IDR548.72tn, with long-term investment funds of IDR481.40 placed in the government's infrastructure development programme;
iii. An increase in total claims and benefits payments of 17.4% compared to 3Q2018 with payment totalling IDR104.30tn;
iv. In terms of job creation, there were 622,286 life insurance agents and 21,493 employees in the life insurance industry at 30 September 2019.

Prudential principles
The AAJI also says that the life insurance industry that must be run on the principle of prudence and must uphold the principles of good corporate governance, including ethics in doing business.

Life insurance supervision is conducted in layers, starting from supervision and internal control carried out by the board of commissioners as a corporate organ, internal auditors and committees under the board of directors. The AAJI says that it believes that if the Insurance Act along with regulations are fully complied with by stakeholders, then the recent developments that occurred in the industry could have been avoided.

Savings plans
AAJI says that savings plans, around which the Jiwasraya scandal revolves, have been known in the life insurance industry in Indonesia since the mid 90s. Similar products are also found in the life insurance industry in many other countries.

A savings plan is an alternative to life insurance products such as personal accident insurance, term life insurance, whole life insurance, endowment insurance, health insurance insurance) and critical illness insurance, available to the community to protect themselves and their families, says AAJI.

Savings plans are useful as they provide protection against life risks while granting additional investment benefits at the end of the insurance contract or if there is a termination of coverage.

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Taiwan: Regulator moves to tighten insurance plans linked to target-maturity bond funds - Asia Insurance Review

Taiwan Ratings Corp says that it welcomes the Financial Supervisory Commission's (FSC) plan to tighten sales of insurance policies featuring target-maturity bond funds, adding that the move would help rein in risks that investors are not generally aware of.

The commission is to promulgate details intended to curtail sales of insurance policies linked to target-maturity bond funds with below-par credit ratings, reported *The Taipei Times*.

The policies have gained popularity, with their balance surging to NT$300bn ($10bn) in November last year, from NT$200 billion in January last year, Securities Investment Trust and Consulting Association data show.

The ratings agency attributed the policies' popularity to the promise of monthly distributions of dividends equivalent to a 5% yield for the duration of the policies, which usually last six years.

However, many investors are unaware that junk bonds underlie such policies and there is no guarantee that their principal would remain intact upon redemption, Taiwan Ratings added.

The FSC plans to limit the sales of such insurance policies by restricting investments to bond funds with at least a "BBB+" rating, on a par with life insurers' own standards for investments in overseas debt, and limit the proportion of such bonds to 40% of overall funds.

The new requirements may take effect next month without affecting existing policies, the Commission said.

Source

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