Insurance Institute of India

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INSUNEWS

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● Quote for the Week ●

"Loneliness and the feeling of being unwanted is the most terrible poverty."

- Mother Teresa

INSIDE THE ISSUE

Industry

Post offices can do employment registration, issue digital life certificates to EPFO pensioners: Bandaru Dattatreya – The Financial Express – 12th February, 2017

Post offices will now provide services such as employment registration centres for rural youth through National Career Services portal and will also be authorised to issue Aadhar-linked digital life certificates to EPFO pensioners. This is part of the MoU entered into by the Department of Posts and Union ministry of Labour.

"Young people can now register their names for employment in the post offices offline also. With this facility, about 3000 professions in about 52 sectors will be benefited," Union Labour Minister Bandaru Dattatreya said after inaugurating the services here today. He said the NDA government at Centre was determined to provide employment for as many as five crore youth by 2020 when total young population of country is expected to be 80 crore.

According to the minister, 3.75 crore people and 14 lakh employers have registered their names in the NCS portal so far. Department of Posts Secretary BV Sudhakar also participated in the programme.

Back

Rallying rupee is RBI's insurance policy for unpredictable times – Mint – 14th February, 2017

The rupee's sharpest rally in almost a year is giving India's central bank scope to take out an insurance policy for what could be a tumultuous 2017.

A resumption of stock and bond inflows and a budget viewed as fiscally prudent and pro-growth spurred a 1.9% gain against the dollar in the last three weeks, the best performance in Asia. The Reserve Bank of India is responding by buying dollars to bolster its foreign-exchange reserves. It added $1.6 billion to its stockpile in the week through 3 February, the most since early September.

One of the world's fastest growth rates, slowing inflation and a domestic market of 1.3 billion people has made India an attractive hedge against a possible rise in trade protectionism after President Donald Trump's surprise US election win. Still, the Asian nation wouldn't be immune to an external shock that causes investors to sour on developing-nation assets.

"These rupee levels provide a great opportunity to buy dollars and build reserves just in case depreciating rupee pressures return," said Viraj Patel, a foreign-exchange strategist at ING Groep NV in London. "In a year when globalization and free trade will come under intense scrutiny," India's focus on tackling domestic problems rather than chasing export-led growth should prove beneficial, he said.

The rupee closed 0.2% weaker at 67.0150 a dollar on Monday. It's three-week rally was biggest increase over such a period since 11 March 2016.

The RBI is unlikely to tolerate the rupee gaining beyond 66.5 a dollar, said Patel, adding that he expected dollar strength to return with "a vengeance" in the next few weeks. The currency would probably weaken toward 68.5 this quarter and then rebound to settle between 66 and 67, he said.

Alpana Killawala, a Mumbai-based spokeswoman for the RBI, didn't immediately respond to an email seeking comments.

India's foreign-exchange reserves increased 0.4% to $363 billion in the week through 3 February, according to data released Friday. That was the fourth weekly advance in a row, the longest such run since August.

Asymmetrical intervention

Based on the International Monetary Fund's methodology for calculating reserves adequacy for emerging-market economies, a range of $215 to $325 billion is enough for India, said Khoon Goh, head of Asia research at Australia & New Zealand Banking Group Ltd. in Singapore.

"India's level of FX reserves is more than adequate at present," he said. Although, "you definitely want to rebuild when times are good and you have inflows coming in, and not be afraid to use them when you have extreme volatility on the other side."

The rupee and Indonesia's rupiah are ANZ's favourite emerging Asian currencies due to the countries' high bond yields and their governments' commitment to fiscal discipline and reform momentum, said Goh.

Some of the reasons investors are keen on India at the moment include:

Source

India's strong macroeconomic fundamentals, the rupee's attractiveness as a carry-trade currency and the fact that the nation's exports to the US account for only 2% of its GDP, augur well for the exchange rate, said Amit Agrawal, a foreign-exchange strategist at Societe Generale SA in Bengaluru.

"We expect the RBI to continue its asymmetrical intervention policy to manage FX volatility with a preference to buy dollars," he said. Bloomberg

Back

Capital Woes may Hit Govt's Plans to List Insurers – The Economic Times – 16th February, 2017

FALLING SHORT Some insurers fail to meet solvency margin rule

The government's plan to list five general insurers may have hit an obstacle with the falling capital position of at least two companies -Oriental Insurance and National Insurance.

Oriental Insurance Company has a solvency margin of 1.1 times and National Insurance Company is at 1.26 times against the regulatory requirement of 1.5 times.Solvency margin is similar to capital adequacy of banks -it is the minimum excess on insurer's assets over its liabilities set by the regulators.

Insurance Regulatory and Development Authority has prescribed that all insurance companies main tain 1.5 times surplus over liabilities at all times."Solvency is a regulatory requirement and not a capital market requirement," said A Hoda, officiating chairman and managing director of United India Insurance. "Solvency for companies fell on higher provisions on third party motor pool. Fundamentals of companies are in place."

Two other state-run general insurance companies -New India Assurance and United India -have solvency margins of 1.53 times and 2.3 times.

However, if fair value and real estate are used in calculating solvency margins, the two companies may not have any issues. National India has a fair value of `6,000 crore and many real estate properties which are not used in calculating solv e n c y. N e w I n d i a Assurance and General Insurance Corporation Re are expected to be the first two to hit the stock exchanges. "Valuation depends on market reputation," said Hoda.

The cabinet approved the listing of public sector general insurance companies through a combination of fresh issuance of shares or offer for sale. Post the issue, the government holding in these companies will come down to 75% from 100%.After the cabinet note, companies have to comply with Sebi norms and get approval from IRDA.

Source

"General insurance companies need capital to fund their business growth requirement," said G Srinivasan, chairman and managing director New India Assurance.General insurance industry is growing at 18%-20% on a year-on-year basis.

Back

Insurance penetration in India may cross 4% this year: Assocham – Mint – 15th February, 2017

Insurance penetration in India is expected to cross the 4% mark by the end of the year amid proliferation of insurance schemes, says a report.

"The insurance penetration has started its northward journey is evident from the fact that it has increased from 3.3% in 2014 to 3.44% in 2015 on the back of various insurance schemes launched by the government," said the Assocham report.

During the first decade of the sector's liberalisation, there has been a consistent rise in insurance penetration from 2.71% in 2001 to 5.20% in 2009. However, since then, the level of penetration has been volatile and remained below the peak.

It declined from 3.9 to 3.3% in 2014 due to certain regulatory changes and unfavourable market conditions. India's insurance penetration as a whole in 2015 was 3.4%, against the world average of 6.2%.

"Despite the gentle rise in insurance penetration which is percentage of insurance premium with reference to the Gross Domestic Product (GDP), it is still far below the global average," the report observed. "The number of lives covered under health Insurance policies during 2015-16 was 36 crore which is approximately 30% of India's total population. The number has seen an increase every subsequent year as 28.80 crore people had the policy in the previous fiscal," it pointed out.

As part of social security initiatives, the government has launched low premium insurance schemes both life and non-life in 2015, it said, adding that last year, it introduced crop insurance. With the objective of providing insurance cover to all, the government launched Pradhan Mantri Suraksha Bima Yojna (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJBY) in 2015.

PMSBY offers a renewable one-year accidental death-cum- disability cover of Rs 2 lakh for partial/permanent disability to all savings bank account holders in the age group of 18-70 years for a premium of Rs 12 per annum per subscriber.

Besides, Pradhan Mantri Fasal Bima Yojana (PMFBY) launched last year to provide financial support to farmers suffering crop loss or damage arising out of unforeseen events will also add to insurance penetration, the report said.

PMFBY has been approved for implementation in all states and Union Territories from Kharif 2016 season in place of National Agricultural Insurance Scheme (NAIS) and Modified National Agricultural Insurance Scheme (MNAIS).

Source

"PMFBY is a significant improvement over the earlier schemes on several counts and comprehensive risk coverage from pre-sowing to post-harvest losses are some of the salient points. A budget provision of Rs5,501.15 crore has been made for the scheme for the current crop season," said Assocham president Sandeep Jajodia.

Back

Life Insurance

Life insurers' new business premium up 28% in January – The Financial Express – 12th February, 2017

The new business premium of life insurance companies grew by 27.8 per cent to Rs 13,138.10 crore in January, compared with the year-ago month. The new business, or the first-year premium of life insurance companies, stood at Rs 10,283.89 crore in January 2016. State-owned LIC, the country's largest life insurer, contributed Rs 8,724.59 crore or 66.4 per cent to the total premium generated during the month, showed data from Insurance Regulatory and Development Authority of India (Irdai). LIC's new business premium stood at Rs 6,720.28 crore in January 2016.

Out of the total Rs 13,138.10 crore, other 23 private sector life insurance firms contributed Rs 4,413.50 crore as new premium income for the January month this year. They recorded a rise of 23.8 per cent in first year premium against Rs 3,563.60 crore in January 2016.

Among private sector life insurers, SBI Life's new business rose by 62.7 per cent to Rs 1,094.54 crore in January 2017, as against Rs 672.07 crore a year ago.

ICICI Prudential Life new business was at Rs 775.41 crore, up 25.3 per cent; HDFC Standard Life Rs 733.58 crore, up 33.7 per cent and that of Max Life Rs 235.48 crore, an increase of 2.3 per cent.

Among others, Bajaj Allianz Life premium recorded at Rs 305.99 crore (from Rs 265.60 crore); Reliance Nippon Life Rs 85.90 crore (against Rs 79.92 crore); Tata AIA Life Rs 105.51 crore (from Rs 67.66 crore) and that of Birla Sun Life Rs 153.99 crore (Rs 125.89 crore in January 2016).

However, the total number of policies/schemes in January in terms of first year premium of life insurance companies came down to 23,40,560 from 23,60,809 a year ago.

Source

There are a total of 24 life insurers in the country, of which only one LIC, is state owned.

The cumulative new business premium from all the insurers during April-January period of 2016-17 rose to Rs 1,29,555.09 crore against Rs 95,871.62 crore a year earlier.

Back

General Insurance

Banks rush to buy cyber security cover as digital payments rise – The Financial Express – 12th February, 2017

At a time when cyber threats are on the rise for banks for increasing cashless transactions and effects of demonetization, insurers see rise in demand for cyber insurance and cyber liability insurance, in particular. This is despite the fact that the industry base for cyber insurance is currently as low as Rs 60 crore. There are various cyber insurance covers available in the country, but it is the cyber liability insurance which is in maximum demand for the banks, say insurers.

Non-life insurers that provide cyber insurance cover include New India, National, ICICI Lombard, Tata AIG, HDFC Ergo and Bajaj Allianz. Country's largest lender State Bank of India (SBI), which fell victim to cyber frauds some time back, is now considering insurance to protect its 30 crore customers. "We have always seen maximum security in all our IT systems. We are now considering to avail cyber insurance covers for our customers," SBI managing director Rajnish Kumar told PTI here.

"We are actively examining the issue. The only thing that we have to ensure is that insurance costs fit into our scheme," he added. Recently, in one of the biggest ever breaches of financial data in the country, customers of 3.2 million debit cards belonging to different banks were hit by cyber frauds where their ATM details were compromised. Several victims even had reported unauthorised usage from locations in China.

The worst-hit card-issuing banks in the episode included SBI, HDFC Bank, ICICI Bank, YES Bank and Axis Bank. Banks either had to replace or asked users to change the security codes of as many customers. Even though SBI didn't suffer any big financial losses due to the data compromise episode, still as a precautionary measure, it had blocked 6 lakh debit cards. Bank of Baroda, which had seen around 1 lakh of its debit cards being compromised in the recent episode, is also keen to go for such insurance covers in future.

"We are here to ensure protection of our customers and hence we will definitely go for cyber insurance cover as and when it was required for the bank," Bank of Baroda MD & CEO, PS Jayakumar said. Insurers said they do see uptick in demand for cyber insurance covers by banks. "We are in talks with quite a few banks to provide cyber insurance cover to them," New India chairman and managing director, G Srinivasan said without divulging any details. "Cyber threat is on the rise in recent times for the banks and hence they must go for cyber insurance cover," he added.

Source

Back

Insurance terms more important than regulations – The Times of India – 13th February, 2017

When there is a conflict between the terms of an insurance policy and the guidelines issued by Insurance Regulatory and Development Authority (IRDA) as a statutory authority, which will prevail? This dilemma has been resolved by the National Commission in a recent judgement.

Case Study: Paritosh Mukherjee was an employee of Steel Authority of India which had obtained a group insurance mediclaim policy from Bajaj Allianz General Insurance to cover its employees and their family members. E Meditek (TPA) Services was the third party administrator appointed by the insurance company to process claim.

Paritosh's wife Pranati was admitted in emergency to Cure Centre Nursing Home in Kolkata. Her son Parag intimated the Steel Authority which intimated the TPA. E Meditek sent an e mail asked the nursing home to make a request for cashless hospitalization. Yet, when the request was made, it was turned down. Pranati expired on Feb 10, 2013 even though the family spent Rs1,77,236 for the treatment.

Paritosh, lodged a claim for reimbursement of medical expenses of Rs1,77,236. The insurance company reimbursed Rs1,38,150, and refused to pay the balance amount of Rs 39,086 without assigning any reason. Meanwhile, Paritosh expired, and his son Parag who was the sole legal heir followed up the claim for the remaining amount. Since there was no response, Parag filed a complaint before the South 24 Parganas District Forum in Alipore against Steel Authority, Bajaj Allianz and E Meditek. All the parties contested the case.

The forum directed the TPA to pay the balance amount along with 10% interest, and also awarded Rs 2 lakh as compensation and Rs10,000 as litigation costs. The TPA challenged the order before the West Bengal State Commission. When asked for the cause of rejection of balance amount, the TPA clarified that the partial repudiation was not made under the policy terms, but as per guideline guidelines issued by the Insurance Regulatory and Development Authority (IRDA). The commission concluded that partial repudiation was not justified, since it was not in accordance with the contract of insurance. The appeal was dismissed.

The TPA then filed a revision petition, contending that the IRDA guidelines were binding. It also made a grievance about the compensation of Rs 2 lakh being excessive as the basic claim was for the balance amount of merely Rs 39,086.

Justice D K Jain, president of the National Commission, in his order of February 2, observed that the stand of the TPA was fallacious. It was held that an insurance policy is a contract, so the rights and obligations of the parties would be in accordance with the terms and conditions stipulated in the policy, regardless of any guidelines issued by IRDA.

The National Commission also expressed its displeasure about the TPA refusing to grant cashless, in violation of the policy conditions, and then harassing the claimant while processing the reimbursement claim. As regards the compensation of Rs 2 lakhs, the National Commission observed that the quantum of compensation has no nexus with the basic claim, and is to be determined on the basis of the harassment which has been caused.

Source

Conclusion: The policy, being a contract, will prevail over any guidelines issued by the IRDA. The statutory or regulatory authority cannot give directives which are inconsistent with the policy conditions.

Back

Soon, You Will Get Lower Loan Rate with Home Cover – The Economic Times – 13th February, 2017

BOON TO BORROWERS Cost benefit could be 50 bps if default risk is mitigated

Home buyers may soon get cheaper credit or more loans. All they need to opt for is property insurance.

National Housing Bank, the regulator for housing-finance companies, is working on a broad framework with the Insurance Institute of India, which could reduce home loan rates by about half a percent if borrowers opt for an insurance cover, aimed at mitigating default risk as well, said two sources familiar with the matter.

“We are conducting a survey in association with the Insurance Institute of India to assess the feasibility of calamity (property) insurance,“ Sriram Kalyanaraman, national director & chief executive officer, NHB, told ET confirming the matter.

“We are examining if taking an insurance cover while buying a home loan can lead to lower lending rates,“ he said.

“An insurance cover should bring down the risk premium, which lenders can pass on to consumers. Going forward, we would come out with a broader framework once the exercise is over.“

Now, it is a common practice among housing finance companies to offer property insurance to borrowers taking home loans.

For example, largest mortgage lender Housing Development Finance Corporation (HDFC) offers HDFC Ergo products for nonlife including property insurance. Dewan Housing Finance Cor poration (DHFL) sells Cholamandalam MS General Insurance products through its various branches.

Customers prefer low-cost premium to higher coverage.Normally, property insurance shields potential financial losses arising out of any earthquake, flooding, act of terrorism, accidental firedamages, cyclones, lightning strike, vandalism.

On many occasions, banks and financial institutions compel their customers to buy property insurance, it is alleged.

The recent natural calamities in Bihar, Jammu & Kashmir, Uttar Pradesh, Uttrarakhand, Gujarat have emphasised the importance of property insurance as the risk mitigation instrument to reduce the loss to the stakeholders.

“Half of the exercise is over.Although it is not yet concluded but the cost benefit could be about half a percent,“ said an executive associated with the matter.

Now, a retail borrower pays an equated monthly instalment or EMI of Rs 874 at 8.6% for one lakh rupees loan amount taken for 20-years. Going by 50 bps cut in rates, the home loan customer will pay Rs 842 for the same loan, show an estimate by ICRA, a credit rating company.

Karthik Srinivasan, senior VP , ICRA, said: “Such measures, if finalised, should help borrowers. While it would potentially benefit them in improving the risk profile, their loan eligibility too may expands either through lower rates or more credit. The cost of the insurance cover is likely be borne by borrowers but still it will benefit home buyers as it could be nominal compared to higher rates.“

Source

Transparent and seamless transaction system in property insurance will provide more confidence to consumers, lending institutions like banks, housing finance companies; and insurers, and promote voluntarism on property insurance, NHB said.

Back

Insurers seek premium hike for govt-backed accident plan – AIR – E-daily – 14th February, 2017

Non-life insurance companies, through their industry body General Insurance Council, are lobbying the government to raise the premium for the state-backed accident insurance scheme Pradhan Mantri Suraksha Bima Yojana (PMSBY) because they are facing huge underwriting losses from it.

PMSBY, launched by the government in May 2015, provides a death or full disability benefit of up to INR200,000 (US$2,985) and partial disability benefit of up to INR100,000 at an annual premium of INR12. Insurers saw a claim ratio of 250% under the scheme in the first year, reported Times of India.

At present, there are 15 non-life insurers, including the four state-owned ones, which are active in the space.

Mr G Srinivasan, who is the Chairman of the Council, said that insurers have raised the issue of the high loss ratio with the government.

Source

Mr Srinivasan, who is also Chairman and Managing Director of the country's biggest non-life insurer, New India Assurance, referring to his company's experience with PMSBY, said: "Even though we have earned premiums of INR150 million under PMSBY so far, we are also in line with the industry when it comes to the huge claim ratio of 250% under the scheme."

Back

Non-life insurance sector looks for lower GST rates – Business Standard – 15th February, 2017

The non-life insurance industry is looking for centralised registration facility and comparatively lower rates for a smooth implementation of GST, a senior official from the sector said today.

Goods and Services Tax (GST), which seeks to turn India into a single market for the first time, is likely to be implemented by the Government during the next fiscal.

"In the industry, we are looking for centralised registration facility and lower rates for the implementation of GST," SBI General Insurance SVP and CFO Rikhil K Shah told PTI.

The lower rate demand is mainly for making the insurance premium affordable, he added.

"The issue of GST implementation will be discussed during the General Insurance Council's meeting on February 17 in Mumbai," said the Council's Secretary General, R Chandrasekaran.

"The idea is to take a stock of the GST update for the industry and its preparedness for implementation of GST," he added.

According to Chandrasekaran, the meeting will also discuss the industry's preparedness for Ind-AS (Indian accounting standards), to be implemented from April 1, 2018.

Apart from the Chief Financial Officers of various non-life insurance companies, the meeting will be attended by some consultants who will be making some presentation on the Ind AS, he said.

Talking about SBI General's preparedness for GST implementation, Shah said the company, in accordance with the Irdai notification, had set up a committee to carry out the smooth implementation of the new accounting system.

"We have appointed an external consultant to manage the implementation project and effective transition from the current accounting practice. We had initiated the process of implementation well in advance to align resources and meet the deadline," he said.

"To ensure that challenges and problems which will be faced in the conversion exercise are detected at an early point of time, we will be having an appropriate strategy, planning and execution of the project," he added.

Source

As Ind AS focuses more on the concepts of substance over form and fair valuation, the balance sheet numbers of the insurers would reflect a fairer picture.

According to Shah, "on our preliminary assessment, we feel that fair valuation of investments will increase the balance sheet size.

Back

Health Insurance

Rs 1cr mediclaim for super rich – The Times of India – 10th February, 2017

Government-owned New India Assurance has launched a premium Rs 1 crore mediclaim cover for the super rich, the first such plan by a public sector company. Besides being available for a high sum insured, the policy covers most treatments that are otherwise not covered under mediclaim and provides concierge services.

"We have been conscious that there is a section which needs a high value policy with very few restrictions which is what prompted us to come out with this policy," said G Srinivasan, chairman, New India Assurance. Until now the maximum cover provided by the company was for a sum insured of Rs 8 lakh and top-up covers for up to Rs 22 lakh. Traditionally, high networth individuals were not seen as candidates for health insurance as they were in a position to do self insurance and most policies did not meet their requirements.

Although a couple of private companies have launched high value covers, most of the mainstream insurers do not offer such high value policies. The Premier Mediclaim policy issued by New India stretches the limits of health insurance and includes several elective medical procedures including infertility treatment or consultations with a dietician.After a three year cooling period, claimants can claim for treatment for obesity or maternity benefits. The policy also covers dental treatment and psychiatric treatment which are normally not covered.

NIA is the largest non-life insurer in the country and is also the largest health insurance provider. Unlike the high value covers provided by a couple of private companies, NIA will not be covering international treatment. However, the company has appointed a third-party administrator, who will be providing concierge services and will also help in claim servicing. The company has said that the Premier Mediclaim, despite providing wider coverage and higher sum insured, is around 12% cheaper than high value health covers provided by its private rivals. Srinivasan said that the corporation has been losing money due to high claims on group health insurance

Source

and has hiked rates on covers to corporates. "While the individual portfolio is by and large profitable, medical inflation is slowly eroding margins and we have approached the regulator for hiking rates," he said.

Back

New health plan to cover 70% population – The Hindu – Business Line – 12th February, 2017

National Health Protection Scheme (NHPS), a national insurance scheme that will be effective from April 1, is likely to provide insurance cover to 70 per cent of the population.

By this scheme, each family will get health cover up to Rs.1 lakh as opposed to Rs.30,000 under the Rashtriya Swasthya Bima Yojana (RSBY), the current health insurance scheme. An additional Rs.30,000 will be provided for senior citizens under the NHPS.

Speaking on the sidelines of Association of Healthcare Providers India (AHPI) Conclave-2017, Girdhar J Gyani, Director-General, AHPI, said since the number of hospitals added to the network will increase including primary, secondary and tertiary care hospitals, it will potentially improve overall healthcare in the country. Right now there are 18,000 hospitals under the RSBY.

Gyani said the organisation has also recommended setting rates for procedures scientifically. “The current rate fixed for reimbursement is very low and not arrived scientifically. So hospitals are either reluctant to be a part of the scheme or cut corners to compensate for that loss. Either way, it is the common man who is affected,” he said.

Source

S Gurushankar, President, AHPI (TN Chapter) and Chairman, Meenakshi Mission Hospital, Madurai, said, “To improve efficiency of the scheme, the option of co-payment should be included as that will empower patients.” This will be beneficial for middle-class families that cannot afford the entire treatment but can pay a little more to the hospital for advanced care.

Back

Pensions

Govt mulls raising EPFO’s investment in ETF to 15%: Bandaru Dattatreya – The Financial Express – 10th February, 2017

The government is looking at raising retirement fund body EPFO’s investment in exchange traded funds (ETFs) to 15 per cent from existing 10 per cent, Union Labour Minister Bandaru Dattatreya said today. “We will discuss enhancement of raising proportion of investment in ETF from 10 per cent to 15 per cent in our next Central Board of Trustees (CBT) meeting to be held next month. After that we will hold discussions with stakeholders and our ministry will take a final decision,” Dattatreya told reporters at a press conference here.

In the Budget speech, Finance Minister Arun Jaitley had announced that EPFO will increase its investment in ETF to 15 per cent, he said, adding “so we have taken some steps”.

The Minister further said the Employee Provident Fund Organisation (EPFO) has already invested Rs 3,000 crore in the first tranche of the Central Public Sector Enterprise ETF and returns on EPFO investment into equities are coming around 8.7-8.8 per cent annually.

In September 2016, the Labour Ministry had doubled EPFO’s investment limit in ETFs to 10 per cent. At present, the EPFO corpus stands at Rs 8.70 lakh crore.

Earlier, speaking at the event organised by industry body Assocham, Dattatreya said as part of labour reforms, the government would introduce two important bills relating to wages and industrial relations in Parliament in March for simplification and rationalisation of the labour Laws.

“Next week at the inter-ministerial meeting under the chairmanship of Finance Minister Arun Jaitley, we will take the final decision and after that we will go to the Cabinet,” he said, adding that in March (the second leg of Budget session), “both the bills would be introduced and I am hopeful it would be passed”.

According to the statement, he also said all 43 labour laws would be codified into four broad categories. Dattatreya said with the codification of labour laws, the industry would see an end to the red tape and inspector raj while the welfare of workers would also be ensured.

Replying to a query, the Minister said, "Employment generation is a top priority for the government and in the next 2 years, we will skill 3.2 crore employees of the unorganised sector."

Talking about the Payment of Wages (Amendment) Bill 2017, which was passed by voice vote in the Rajya Sabha yesterday, Dattatreya said, "It is going to be more beneficial for the workers especially 35-crore unorganised sector workers so the Payment of Wages (Amendment) Bill 2017 will be strictly implemented."

The Minister pointed out that all the payments to workers according to the law will have to be made in first week of the month. "Delay in payments of wages will attract penalty. This was a long pending demand of trade unions. They were demanding it for 20 years," Dattatreya said.

Parliament yesterday passed a bill seeking to enable the Centre and state governments to specify industrial units which will have to pay wages only either through cheques or by transferring into bank accounts.

The Payment of Wages (Amendment) Bill 2017, which was passed by voice vote in the Rajya Sabha, also enables the employers to pay wages to workers through cheque or by transferring into their bank account without their written authorisation. The Lok Sabha had passed the bill on Tuesday.

Source

The Minister also said that he will write letters to all Chief Ministers urging them to participate in a nationwide campaign to open bank accounts of all unorganised sector workers.

Back

Labour Ministry, FinMin agree on 8.65% EPF interest: Bandaru Dattatreya – The Financial Express – 14th February, 2017

Labour Minister Bandaru Dattatreya today said 8.65 per cent interest rate on EPF deposits for this fiscal will soon be ratified by the Finance Ministry and there is no difference of opinion on the issue. "The Labour Ministry and the Finance Ministry (view) is the same. There is no difference on 8.65 per cent rate of interest on EPF. It is in the process and I will pursue it personally," Dattatreya told PTI. EPFO's apex body, Central Board of Trustees (CBT) headed by the Dattatreya had, approved 8.65 per cent rate of interest on EPF deposits for current fiscal on December 19 – lowest in four years. The Employees' Provident Fund Organisation had provided 8.8 per cent rate of interest for 2015-16 to its 4 crore contributing subscribers. It maintained 8.75 per cent for 2013-14 and 2014-15 while it was 8.5 per cent in 2012-13.

EPFO will be left with a surplus of Rs 269 crore after providing 8.65 per cent interest rate for the current fiscal.

The minister's assurance has come as relief for subscribers as the Finance Ministry has been reportedly asking the Labour Ministry to bring the EPF interest rate in alignment with other small saving schemes like PPF of the government.

Earlier last year, the Finance Ministry had lowered interest rate on EPF for 2015-16 to 8.7 per cent from 8.8 per cent approved by the CBT but the step was retracted after protests by trade unions.

As per practice, CBT decision on interest rate can be implemented only after the concurrence of the Finance Ministry.

EPFO said it has settled 19,114 grievances in January, leaving 2,556 as pending. Of the pending grievances, 2,206 were for less than 7 days.

As a part of next phase of computerisation, EPFO is moving towards a centralised receipt and payment system. EPFO has entered into banking arrangements with multiple banks and it is expected that a centralised system will bring in greater efficiency in a cost-effective way.

Source

Once operationalised, this would also facilitate automation of compilation of financial information as required for compiling the organisational balance sheet and other monitoring reports, it added.

Back

PFRDA to hire retirement advisers to tap NRI base – Business Standard – 15th February, 2017

PFRDA is planning to hire retirement advisers for popularising pension plans like NPS among Non Resident Indians, especially in the Gulf.

For Pension Fund Regulatory and Development Authority of India (PFRDA), pension plans like NPS are not getting the desired traction among NRIs since its launch in 2015.

"We are not getting very good subscriber base from the NRIs. After the roadshow in Dubai in November, the response has increased definitely. We are opening about 150-160 accounts every month, which is still very low," PFRDA Chairman Hemant G Contractor told PTI.

"We want to step it up. One of the things we are looking at is appointing retirement advisers who will contact the NRIs and advise them about the product," he said.

Initially, PFRDA will stick to attracting customers based in Gulf region. Depending on the response, it may be expanded to other overseas locations, he added.

Asked about expectation on NPS subscriber base in next fiscal, he said the authority expects to grow it by 25-30 per cent next year.

"We expect to grow the NPS subscriber base by 25-30 per cent in the next fiscal. The asset under management (AUM) growth will be more than that," he said.

For the current fiscal (2016-17) ending March, PFRDA has projected to increase the customer base under the National Pension System (NPS) by 35-40 per cent.

Explaining the gap in growth expectation between the current and next fiscal, Contractor said it is because of the larger base.

Speaking at the sidelines of the orientation programme to train the trainers of the IL&FS Skill Development Corporation on National Pension System, the PFRDA Chairman said it is being held to equip all the distribution points like banks and post offices about the PFRDA pension products.

"They are trained about NPS and Atal Pension Yojana (APY) so that they can market it to the customers, that is the whole idea about training. Last calender year (2016), we trained about 90,000 officers. This year, we will try to train more officers," he said further.

Source

Currently, NPS has more than 1.47 crore subscribers with an AUM of over Rs 1.66 lakh crore. Under APY, there are more than 41 lakh subscribers registered till date.

Back

Stocks

New India Assurance initial public offering in next six to eight months – The Financial Express – 10th February, 2017

New India Assurance, one of the country's biggest general insurers, is likely to file for its initial public offering (IPO) in the next six to eight months.

In mid-January, the cabinet committee on economic affairs (CCEA) had approved listing of the five state-owned general insurance companies and reducing the government's stake in them from 100% to 75%.

G Srinivasan, chairman and MD of New India Assurance, said: "I can't share more details at this point of time. However, formal approval from the government has come for listing, and it will take six-eight months to hit the markets."

He also added that the insurer will finalise bankers for the issue soon and no decision has been taken on quantum of stake sale.

New India Assurance, Oriental Insurance, National Insurance, United India Insurance and General Insurance Corp (GIC Re) are the five companies that will list of stock exchanges. Senior officials in the insurance industry said that, GIC Re and New India Assurance would be the first set of players to be listed on the stock exchanges.

Srinivasan was talking at the launch of "New India Premier Mediclaim Policy" for sum insured of R15 lakh to R1 crore. The policy can be taken by an individual as well as family floater cover.

Source

In addition to the cashless hospitalisation facility, it comes with a few special features being introduced for the first time under any such policy like, air ambulance expense up to R1 lakh, infertility treatment coverage up to R1 lakh and OPD expenses for dental treatment, health check-up, medicines etc., among other features.

Back

Circulars

Source

Exposure Draft on IRDAI (Appointed Actuary) Regulations, 2017 - Ref: IRDA/ACTL/REGN/2016-17 dated 13-02-2017

Back

Source

Exposure Draft on IRDAI (Relaxations under Appointed Actuary Regulations 2017 and appointment of Mentors) Guidelines, 2017 - Ref: IRDA/ACTL/REGN/2016-17 dated 13-02-2017

Back

Global

UAE: More insurance regulations to be issued this year – AIR – MiddleEast – 15th February, 2017

The UAE Insurance Authority plans to issue new regulations this year to foster growth in the sector, including rules covering bancassurance and dispute resolution, the head of the country's insurance regulator has said.

"We have a number of regulations and instructions that are to be issued in 2017. We are also keen on developing alternative dispute resolution methods," Mr Ebrahim Obaid Al Zaabi, the Director General of the Insurance Authority, told Zawya in a recent email interview.

He also said that new guidelines will be issued this year to regulate the 35 firms in the country which offer actuarial services.

In recent years, the regulator has been active in revising insurance laws and regulations to boost the industry.

The Insurance Authority has issued rules to organise the operations of insurance agents and financial advisers, to tighten up how insurance companies are to invest their funds and how much exposure they could have in a particular asset class, and to enhance governance.

Innovative Insurance Product Award

Meanwhile, the Insurance Authority has also announced that a competition has been launched for its Innovative Insurance Product Award which will cast the spotlight on innovative practices and products that handle the challenges of the insurance sector. The Award is to promote research and innovation and is to be given to the company that goes beyond the boundaries of the insurance sector in the UAE through:

- Launching an innovative product or new value;
- Providing innovative service(s) that effectively meets the customers' requirements; and
- Technological innovation.

Participants must have a licence from the Insurance Authority. Submissions are to be made before 30 October 2017.

All entries will be evaluated by an Independent Evaluation Committee, and finalists will be selected who will undergo an interview.

Source

The evaluation criteria include:

- the effect of the innovative product/practice on the insurance market and/or type of business;
- customers' needs satisfaction; and
- creativity.

Back