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# INSUNEWS

- Weekly e-Newsletter

21st – 27th July 2018

**• Quote for the Week •**

**"The difficulties, hardships and trials of life, the obstacles... are positive blessings. They knit the muscles more firmly, and teach self-reliance"**

**William Matthews**

INSIDE THE ISSUE



## Insurance Industry

### *Centre not to hike insurance cover of Rs 100,000 for bank deposits - Business Standard – 25th July 2018*

The Union government has no plans to increase the existing insurance cover of Rs 100,000 for bank deposits. The Centre has turned down a request from Andhra Pradesh Chief Minister Chandrababu Naidu who suggested an increase in deposit insurance cover to Rs 1.5 million in a letter to then finance minister Arun Jaitley in May. At present, all deposits up to Rs 100,000 are insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC).

The finance ministry examined Naidu's proposal after consulting the DICGC, a subsidiary of the Reserve Bank of India (RBI) that guarantees depositors' money. The ministry felt that the current limit was in line with international standards, according to which at least 80 per cent of depositors and 20-30 per cent of deposits amount should be insured.

"As per the Core Principle (CP) 8 of Effective Deposit Insurance prescribed by the International Association for Deposit Insurance (IADI), coverage should be limited, credible and cover the vast majority of depositors but leave a substantial amount of deposits exposed to market discipline," the DICGC informed the ministry. As on March 31, 92 per cent accounts and 29 per cent deposits in terms of value were insured by the DICGC, the latest data showed. This was higher than the guidance provided by the IADI.

"An increase in the insurance cover also requires a higher premium based on risk classification of the insured bank," according to the finance ministry. Naidu, however, recommended ensuring that the higher premium amount, as a result of the insurance limit hike, was borne by banks and the charges were not passed on to customers. The deposit insurance covers all commercial banks, local area banks, regional rural banks and co-operative banks. In case a bank fails, the DICGC pays the insured amount to the depositor.

The insurance cover for bank deposits was last revised in May 1993 to Rs 100,000 from Rs 30,000 earlier, after a gap of 13 years. In March 1993, 95.80 per cent bank accounts and 67.30 per cent bank deposits in value terms were insured. Jaitley said in January that the government was open to the idea of raising the deposit insurance limit from Rs 100,000.

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### *Deposit insurance could have eased burden on taxpayers over bank bailouts – Mint – 23rd July 2018*

India needs a strategy to get the government out of banking. Non-performing loans among state-owned banks—a legacy of India's socialist past which account for nearly 70% of deposits—have crossed 5% of gross domestic product. The central bank has restricted lending at 11 of them and forced one, IDBI Bank Ltd, to sell itself to the government-owned Life Insurance Corp. of India.

State banks have repeatedly been a burden on the exchequer and will almost certainly continue to be so. The great need is to increase the number and size of private banks, which have performed better than their public-sector counterparts. Unfortunately, the government just abandoned the one policy that would have eased such a transition.

Earlier this month, according to reports, the administration of Prime Minister Narendra Modi decided to withdraw the Financial Resolution and Deposit Insurance (FRDI) bill from parliament. The bill was meant to address the biggest hurdle in dealing with failing banks: There's no way to sell them off.

The current legal framework only allows struggling banks to be merged or liquidated. While the banking regulator, the Reserve Bank of India, has in the past forced healthier banks to swallow up weaker ones, there are very few state banks strong enough now to take on such a burden. The only other option is to sell off each loan or asset one by one, which can take as long as 10 years.

With no other options, the government has been recapitalizing loss-making banks—essentially pouring taxpayer money down the drain (including into Punjab National Bank, which lost nearly $2 billion in a corruption scandal). Selling off IDBI only puts the bank's problems onto the balance sheet of LIC, one of India's biggest insurance companies. The FRDI bill would have done two critical things. Most directly, it would have created a mechanism to sell a bank as a living entity to another bank. A Resolution Corporation, similar to the Federal Deposit Insurance Corporation in the US, would have been created to take over failing banks and either run them temporarily, sell them, infuse equity or, as a last resort, liquidate them.

Second, once such a framework was in place, the RBI would have had much greater flexibility to give out licenses for more private banks. The central bank has hesitated thus far to increase their number, despite repeatedly promising to do so, because there was no easy way to deal with the new banks if they ran into trouble. The FRDI bill would have made the prospect of creating new banks much less risky.

Politics doomed the bill. One clause gave the proposed Resolution Corporation the option of "bailing in" troubled banks -- using uninsured depositor money to infuse equity into the bank if a buyer couldn't be found. The optics, at a time when many state banks look like they're on the verge of failure, were terrible. Worse, most Indians didn't realize that their deposits were only insured up to Rs100,000 (less than $1,500). Pensioners worried they might be stripped of their life savings. These problems could easily have been fixed. The "bail in" clause could have been scrapped, and insurance limits raised. If the insurance were raised to $20,000, virtually all depositors would be covered.

Abandoning the bill entirely, by contrast, will have far-reaching effects. Unless India can find a way to shrink the state banking sector, it'll be hard if not impossible to revive lending and investment. Small enterprises in particular are desperate for bank finance.

The Modi government may be right that "big bang" reforms -- liberalizing land and labor markets, for instance -- are too politically difficult. But it's done a good job thus far implementing smaller changes that can have a big impact, such as the Bankruptcy Code passed last year that does for companies what the FRDI bill would have done for banks. If India can't even manage these less-striking reforms, the chances of boosting growth into the double-digit range are remote.

And there's a scarier prospect as well. The share of deposits in private banks have increased in the last two years from a quarter to a third of the total. Under current conditions, it's not clear what the government and RBI would do if a big private bank failed. There are no public-sector banks healthy enough to buy out a big bank. There's no fiscal space to infuse equity, as public banks are already bleeding the government's coffers. A high-profile liquidation could possibly trigger a contagion. Many countries set up resolution regimes after the global financial crisis, understanding the grave impact of a banking failure on the real economy. India may soon come to regret not doing so as well.

**Source**

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## IRDAI Regulation

### *Irdai for minimising exclusions in health insurance policy - The Economic Times – 24th July 2018*

In a significant consumer-friendly move, insurance regulator Irdai today said it has started the exercise to minimise the number of illness/diseases which are not covered under the health insurance policies.

The Irdai had from time to time issued guidelines on standardisation in health insurance and to enhance transparency and uniformity. These include, standardisation of terminology to be used in health insurance policies and standard nomenclature and procedure for critical illnesses.

With the increase in the number of companies providing Health Insurance there is an increase in the number of products offered. It is desired that the industry adopts a uniform approach while incorporating the 'exclusions' as part of product design as well as for the wording of the 'exclusions'," it said in an order.

For the purpose, the regulator has set up a 10-member committee and asked it submit its report in eight weeks. The panel is headed by Suresh Mathur, Executive Director (Health), Insurance and Regulatory Development Authority of India (Irdai).

The panel will examine the exclusions that are prevalent in the health insurance policies with a view to minimise the number and enhance the scope of insurance coverage.

"Rationalise the exclusions that disallow coverage with respect to new modalities of treatments and technologically advanced medical treatments. Identify the type of exclusions which shall not be allowed," said the terms of reference (ToR) of the panel.

The committee will also study "wordings/language of the exclusions and standardise the wordings" in a simple and easily understandable language.

It has also been tasked to examine the scope for "allowing individual specific and/or ailment/disease specific permanent exclusions at the time of underwriting so that the policyholders are not denied health insurance claims unrelated to the exclusions".

**Source**

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## Life Insurance

### *Avoid buying life insurance products with high upfront commission - Business Standard – 27th July 2018*

A working committee set up by the Insurance Regulatory and Development Authority of India (Irdai) is currently examining the issue of ushering in level commissions throughout the tenure of life insurance policies, instead of the current practice of offering high upfront commissions to distributors prevalent in some policies.

Experts believe that this will improve the persistency ratio (the number of policies still alive and being serviced by customers after a certain time period compared to the total sold) of life insurance policies and reduce mis-selling.

High upfront commissions are prevalent in traditional life policies. Here, the upfront commission paid in the first year ranges from 35 to 40 per cent. It tapers down in subsequent years. In case of unit-linked insurance plans (Ulips), agents' commission is much lower at 6-7 per cent in the first year and then it falls further. One reason for this is the high competition that offline Ulips face from online Ulips, which have a lower cost structure. “Ulips may have other issues but their commission structure is not one of them,” says Deepesh Raghaw, founder, PersonalFinancePlan.in, a Sebi-registered investment advisor (RIA). In case of online Ulips, the commission does not exceed 1-2 per cent and can sometimes even be zero.

If the upfront commission is high and the subsequent commissions are lower, it creates an incentive for intermediaries to churn policies. “With high upfront commission and low renewal commission, distributors often influence customers into buying new products every year instead of continuing with their existing policies. This ends up eroding the value of the investment made by the policyholder,” says Santosh Agarwal, associate director and cluster head-life insurance, Policybazaar.com. If policyholders keep paying annual premium subsequently, that doesn’t benefit the agent as much as if they buy a new policy. For example, if a customer pays Rs 100,000 as first-year annual premium, the agent gets around 40 per cent, or Rs 40,000 as commission. But in the second year, his commission may dwindle to only 10 per cent of the annual premium, or Rs 10,000.

Level commission structure already exists in health and general insurance (motor) and in mutual funds. In mutual funds, the agent's commission is a percentage of the investor's asset. Hence, his interest lies in making his client's asset size grow. In case of insurance, an agent's commission is linked to premium. In a traditional policy, it is high in the first year and then it tapers down, becoming quite small after four-five years, creating an incentive to churn.

Life insurance in India has a low persistency level, especially after the fifth year. A level commission structure, experts believe, will do away with agents' incentive to churn and help improve persistency.

**HIGH UPFRONT PAYOFF**

| Tenure of policy (years) | Commission in traditional policies* First year | Renewal premium |
|---|---|---|
| 5 | 15 | 7.50 |
| 6 | 18 | 7.50 |
| 7 | 21 | 7.50 |
| 8 | 24 | 7.50 |
| 9 | 27 | 7.50 |
| 10 | 30 | 7.50 |
| 11 | 33 | 7.50 |
| 12 or more | 35-40 | 7.50 |

* % age of premium

Source: Industry

Source

A high upfront commission also affects a policyholder in case he wants to exit his policy early. The cost of a premature exit from a policy is borne not by the agent or the insurance company but by the policyholder. "High upfront commission is the reason why the surrender value of some life insurance policies is low," says Raghaw. If a policyholder surrenders his traditional policy after one-two years, he gets nothing. If he surrenders after three years, he gets around 30 per cent of the premiums paid so far. This figure increases gradually as the years go by, but it never becomes 100 per cent. This is because the insurance company has already paid a hefty commission to the agent. The burden of this gets passed on to the policyholder.

According to experts, instead of opting for a traditional insurance plan, investors should look at a combination of term plan and mutual funds. This combination will allow them to buy a higher amount of insurance and also earn better returns on their investments, besides providing them the flexibility to exit without paying a high cost.

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## *Will limited payment term plan suit you? - The Hindu Business Line – 22nd July 2018*

Life insurance plans are need-based products offering customised solutions. You can choose the term and the benefits as per your requirement.

One such flexible option offered by life insurers is 'paying the premium for the limited period'. Under the limited premium payment term (PPT) feature, the policyholder is allowed to pay the premium for a limited period of time, say, 5, 10 or 15 years though the cover is offered for the entire policy term.

The other options insurers provide are regular pay (where the premium payment term is equal to the policy term) and single pay.

Limited PPT option suits people who are unsure about their ability to pay the premium for the full term of the policy. Sports people, movie stars or self-employed individuals can look at limited PPT when they are at the prime of their career, so that they don't have to worry about it later in life when their earnings dwindle.

Even others who have a lump-sum on hand and want to put it to productive use can look at limited PPT option in a life insurance policy.

Here, we discuss the features of the limited PPT option offered in the online term plans. Online term plans, including HDFC Life 3D plus, Max Life Online Term plus, ICICI Pru iProtect Smart, Edelweiss Tokio Life TotalSecure+, Aditya Birla Sun Life Insurance DigiShield, Kotak Life e-Term and Tata AIA Life Sampoorna Raksha offer this option to the policyholders.

The features of the limited PPT vary among insurers. The limited pay term ranges from five to 40 years. For instance, in Edelweiss Tokio Life – TotalSecure+, one can choose the limited pay term — five, 10, 15, 20 and 25 years. ABSLI DigiShield Plan provides five and seven years, while Tata AIA Life Sampoorna Raksha allows you to choose only five and 10 years for limited pay. In most plans, the policy term is fixed at least five years higher than the limited PPT.

**Opt for lower PPT**

On the surface of it, annual premium on a 'limited PPT' policy appears higher than the premium on a 'regular pay' policy. But if you work out the total premium payable for the period in the two cases, you will note that the premium outgo is lower for the same SA policy if you chose the limited PPT mode. Sample this:

Under HDFC Click2Protect 3D Plus, for a 35-year-old male non-smoker who wishes to have Rs 1 crore term cover up to 75 years, the annual premium payable for the PPT of 25 years is Rs 21,397. So the total premium payable for 25 years is Rs 5.43 lakh.

But if he chooses PPT of 10 years, the annual premium payable is Rs 39,054 and he will end up paying only Rs 3.9 lakh for 10 years.

Source

**Watch out**

The premium payable on life insurance policies is eligible for tax exemption up to Rs 1.5 lakh under 80C. But if you choose limited PPT, your annual premium outgo will be high and clubbed with other investment products eligible under 80C; you may actually exceed the Rs 1.5 lakh limit and lose the tax benefit.

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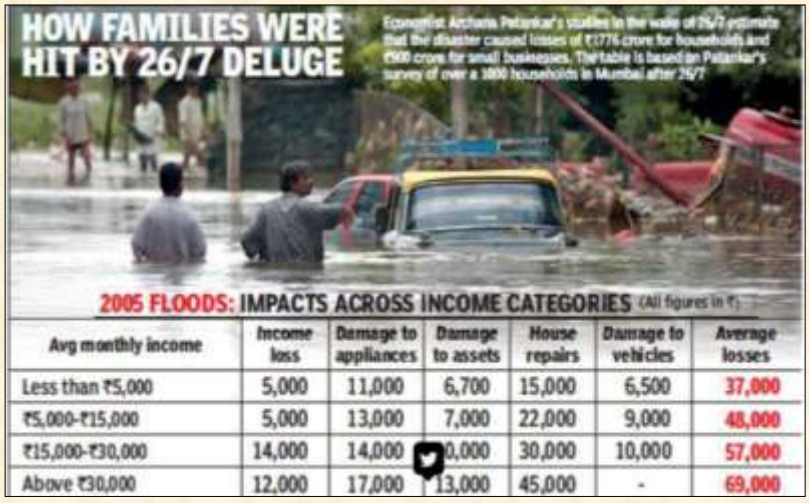
## Non-Life Insurance

### *Flood claims rise, insurers levy higher premiums in low-lying areas – The Times of India – 26th July 2018*

On the penultimate day of August last year, a sudden downpour caused the Dahisar River to overflow. The river broke through the wall of the nearby Shantivan multi-storey complex, swamped its line of ground-floor shops and restaurants, and drowned parked cars. It also carried away the neighbourhood's Ganpati.

The damage was almost as bad as it had been in the 2005 floods. Society members were thankful their building was insured. But when the time for claims came, they were shocked—only the structure was covered, not its contents.




| Avg monthly income | Income loss | Damage to appliances | Damage to assets | House repairs | Damage to vehicles | Average losses |
|---|---|---|---|---|---|---|
| Less than ₹5,000 | 5,000 | 11,000 | 6,700 | 15,000 | 6,500 | 37,000 |
| ₹5,000-₹15,000 | 5,000 | 13,000 | 7,000 | 22,000 | 9,000 | 48,000 |
| ₹15,000-₹30,000 | 14,000 | 14,000 | 0,000 | 30,000 | 10,000 | 57,000 |
| Above ₹30,000 | 12,000 | 17,000 | 13,000 | 45,000 | - | 69,000 |

In Europe and the US, flood damage to homes and businesses are mostly covered by insurance. But the scenario is quite the opposite in Asia, where natural hazard exposure is high but insurance penetration is among the lowest in the world. Just 11% of the losses in Mumbai's 2005 floods were covered by insurance.

Insurers attribute the low numbers to lack of awareness and to cultural factors like the tradition of relying on family and friend networks during times of hardship. Or even, to what surveyor Sarabjit Singh Bright called "a habit of not t thinking about the future".

That may change if natural calamities increase. Insurers are seeing flood claims rise and fall reflecting the recent spate of cyclones and floods. Residential flood claims peaked in 2015 for ICICI Lombard, probably because of the Chennai floods. Bajaj Allianz General Insurance, on the other hand, is seeing a consistent rise in flood claims. These accounted for 47% of all claims made under its Standard Fire & Special Perils Policy.

Mumbai had the highest percentage of flood claims among five major cities in 2017, said Bajaj. Flood claims in the city have tripled in the past four years, said the company. The absolute number of claims may not run very high. Nevertheless they reveal something about the calculus of risk, tolerance and loss in flood-prone Mumbai.

For one, insurers often see a spike in inquiries from home owners immediately after a calamity. "But once the fear passes, they forget," said KG Krishnamoorthy Rao, CEO and MD of Future General India Insurance. "Even if they take a policy, they'll forget to renew the next year."

Given low penetration and high competition—there are some 25 private insurers and several public ones—one might think that insurance would be a buyers' market. But that's not the case in a chronically flooded city. Insurers have their own flood maps and revise them frequently with field visits, said Sasikumar Adimadu, chief technical officer at Bajaj Allianz General Insurance.

Insurers charge higher premiums in low-lying areas or try to avoid them entirely. One way of doing that is to name such an astronomical premium that "they will run away", said an agent. Premiums for low-lying areas can be 15-40% higher.

No-go areas include flood-prone Bhiwandi and Gandhi Market at King's Circle. In the case of Bhiwandi, large companies with bank loans will pay high premiums for the mandatory insurance. In Gandhi Market, however, shopkeepers must go to a public insurer if they want a policy. Few do, they said, because of the hassle of getting claims settled.

One problem, says surveyor Bright, is that people don't pay attention to policy details at the time of signing up. That's what happened to Shantivan in Borivali East. Former society chairman Gajanan Pednekar said they discovered too late that their policy did not cover the lift or motor. The society ended up paying Rs 75,000 for repairs.

Insurance is going to be important in future, says Archana Patankar, an economist who has studied flood loss in the city. For now, many small enterprises simply build flood risk into their business model. "Flooding is here to stay," she said, "The only question is how much flooding can you tolerate?"

That calculus is evident at Masrani Industrial Estate in Kurla, near the Mithi River. The Masrani family's auto-component manufacturing unit is routinely flooded in the monsoon, thanks to its low-lying ground and the area's garbage-clogged drains. After 26/7, the unit was shut for a month and the company filed a Rs 60 lakh claim. It took a year to settle and their premiums skyrocketed.

Now, the Masranis don't claim smaller, annual flood losses. They've placed their machinery on a platform and raised the height of the managers' office. Everyone works in gumboots. "And sometimes," says Ravi Masrani, "there's nothing you can do but wait for the rain to calm down and take the day's loss.

Source

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## Motor Insurance

### *3-5 year term may be made mandatory for motor insurance - The Hindu Business Line – 25th July 2018*

Soon, you may have to buy a mandatory three-year motor third-party insurance for your car. For two-wheelers, the required term could be up to five years.

The Insurance Regulatory and Development Authority of India (IRDAI) is currently working on the modalities, and a decision is likely in a month, according to a senior official.

At present, buying a one-year policy is mandatory at the time of vehicle purchase, after which it must be renewed.

The insurance pays for legal liability in case there is injury or damage to a third party or property caused by the use of the vehicle in a public place. Driving a vehicle without one is an offence under the Motor Vehicle Act, 1988.

The IRDAI sprung into action after it received a directive from the Supreme Court last year to make a three-to-five-year term mandatory.

In January, the regulator had directed all general insurers to sell third-party cover online along with other regular channels. It also advised insurers to liaise with the police to facilitate issue/renewal of third-party policies.

"It's a positive step; we support and welcome this move," Sasikumar Adidamu, Chief Technical Officer, Bajaj Allianz General Insurance, told BusinessLine.

For the customer, a longer-term policy offers more price stability than an annual one. It will also help increase insurance penetration, added Adidamu.

**Not without challenges**

However, renewal remains a challenge, even if needed less frequently.

Product pricing is the second challenge, since the inflation for a longer term has to be considered. IRDAI will determine the prices with inputs from the industry.

Source

It is estimated that 40-50 per cent of vehicles are plying at present without third-party cover. How the new rule will affect compliance is to be seen.

### *4 reasons that let car insurers deny a claim – Mint – 24th July 2018*

A car policy covers third party liability—that arises if your vehicle causes damages to a third person—as well as insures your vehicle against theft and damages. But having a cover is not enough to get your claim, you need to be a responsible car owner and driver too. We list out four main reasons why even if you have a valid car insurance policy, your claim can be denied by the insurer.

**Invalid driving licence**
At the time of buying a car or a car insurance, you may not be asked to show a valid driving licence, but that's a basic requirement for driving a car. If you don't have a valid driving licence, the insurer is well within its rights to deny your claim. At the time of making a claim, the insurer will ask you for your driving licence; so make sure you have a valid driving license and don't let anyone who doesn't have a driving licence drive your car.

**Drunk driving is negligence**
Drunk driving implies you are negligent and insurers cover a risk not a highly likely event. An accident is a highly likely event when a person is driving under the influence of alcohol, hence it is not covered.

In fact, a car insurance brochure we looked at stated in its exclusion that any damage by a person driving under the influence of alcohol is not covered by the policy.

**Improper use of vehicle**
If you buy a car for personal use then make sure it's not used for commercial use. At the time of making the claim, the insurer will typically appoint a surveyor to inspect thoroughly the reasons for the damages. If the surveyor finds out that a personal car was being used as a taxi, your claim can be denied because the policy was taken for a personal car.

**Insurance in different name**
When you buy a car you need to change the ownership in the registration certificate, but make sure you also change the ownership in your insurance policy. This is because the original owner, after having sold off the car, has no insurable interest in the vehicle and insurance needs to be bought by a person that has an insurance interest.

Doing this is simple: approach the insurer, show the new registration certificate and get the policy transferred.

**Source**

Buying a car insurance policy is not enough. Since insurers do not pay for negligence, you need to be responsible as a driver to be able to make a claim in case of damages.

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### *SC links pollution with car insurance cover: What you should do – Mint – 23rd July 2018*

Insuring your vehicle may get difficult in future if your vehicle doesn't have a valid pollution under control or PUC certificate. Based on a Supreme Court order, the Insurance Regulatory and Development Authority of India (Irdai), through its circular dated 6 July, has directed insurers to not renew insurance of vehicles without a PUC certificate.

But it may take some time before things are put in practice fully as there are significant challenges in its implementation.

**PUC is mandatory**
A PUC certificate is mandatory as per the Central Motor Vehicles Rules 1989. The rules state that after the expiry of a year from the date on which the vehicle was first registered, it will need to carry a valid PUC certificate issued by an agency authorised for this purpose by the respective state government. The validity of the certificate is for six months.

Further, in an attempt to curb pollution, the Supreme Court, in August last year, directed insurers to not renew motor insurance if the vehicle did not have a PUC certificate. Upholding the directive, Irdai has now issued a statement asking insurers to comply with the orders. However, this could mean denying vehicle insurance to policyholders which too is against the rules.

"Insurers are bound by the Insurance Act not to deny motor third party insurance; whilst owners of vehicles are bound by MV Act (Motor Vehicle Act) not to drive the vehicle in public places without valid third party insurance. So SC's ruling on PUC and Irdai circular advising insurers to verify the validity of PUC before insuring the

vehicles conflicts with the statutory and regulatory prescriptions for insurers. It is not fair to put insurance on the block for enforcing pollution control of vehicles," said R. Chandrasekaran, secretary general, General Insurance Council, an industry body that represents insurance companies. "On behalf of the insurance industry, the General Insurance Council is planning to approach SC with a plea to review its directions on insurance and PUC," he added.

Third party motor insurance cover compensates for any damages made to a third party by the insured person. Without this cover, you can't take your car out of the showroom. It's also important because in case an accident causes bodily injury or loss of life to a third party, the court decides the compensation and since the third party cover is unlimited, the entire compensation is borne by the insurance policy.

**Implementation problem**

If insurers are mandated to renew motor insurance only if a valid PUC certificate is produced, they will have to deny third-party cover to those not having it, which the Insurance Act does not allow.

Moreover, motor insurance is not limited to third-party cover. It also comprises own damage cover that insures the vehicle against theft or damage, and personal accident cover for the driver and passengers.

According to insurers we spoke to, not having a PUC may also have a bearing on claims.

"It is necessary to appreciate that motor third-party cover, which ensures compensation to victims of road accidents can't be linked to pollution control. PUC is an enforcement issue and it is for the police and RTO (regional transport office) who have the enforcement powers to verify this compliance. If petrol pumps can be asked to verify PUC every time the vehicle comes for a fuel refill, PUC compliance would go up," said Chandrasekaran.


But insurers are gearing up to check for PUC at the time of issue or renewal of a policy as well as at the time of own damage claims, he added.

Another challenge for the insurance companies will be verification of the PUC certificate. "In smaller towns and cities, PUC certification is not prevalent at all. PUC tests are disorganised with only a handful of big cities enforcing it. Also, there is no digital repository to verify the certificate so it's going to be challenging for the insurers," said Mahavir Chopra, director, health life and strategic initiatives, Coverfox.com, an online insurance broker.

In fact, the additional requirement of PUC document may make it difficult to renew motor insurance online. "Asking for PUC document takes away from making the insurance buying process seamless, something that online tech-enabled platforms like ours have enabled. Currently, we simply take vehicle details which can be obtained from the previous insurance copy or the vehicle registration certificate (RC) to renew the policy. Adding the requirement of a PUC certificate will make the process more manual and there is no way of validating the PUC," said Balachander Sekhar, co-founder and chief executive officer of RenewBuy.com, an online insurance broker.

"We anticipate significant challenges given the low levels of PUC outside top 7-8 cities. More so for two- wheelers where more that 75% are uninsured, and may hinder in bringing them into the insurance fold," said Sekhar.

**Status right now**

While Irdai has asked insurers to comply with the court order, it's not simple for insurers to implement it as they will need to recalibrate their systems.

Couple of insurers we spoke to on the condition of anonymity, said they will continue to issue policies but they are putting in place a system to check for PUC certificates and are asking for PUC if the process is offline.

According to Chopra, insurers have not made any changes to the systems yet and so far if the customer renews online, they are not being asked for a PUC certificate.

Mumbai-based Nikunj and Nikita Mehta, who bought a second-hand Verna, got car insurance from a private insurer last week without being asked to submit a PUC certificate. "Since the previous owner didn't give us insurance papers, we had to get the car insured again. A surveyor was appointed to inspect the car and we had to give the registration certificate. We were not asked for a PUC," said Nikita.

However, going forward, if the court stands its ground, not having a PUC may not only mean you don't get insured, it may also have a bearing on your claims. Insurers may deny claims on the basis of absence of a PUC certificate. The matter may take time to resolve, but it's a good idea to get a PUC certificate if you don't have it because that's the rule anyway.

**Source**

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### *General insurers to approach Supreme Court on mandatory PUC for motor insurance - The Hindu Business Line – 23rd July 2018*

General insurers are planning to file an appeal petition in the Supreme Court contending that compliance of pollution certificate norms is not the lookout of the industry.

"We are working on an appeal petition with our lawyers, which will be filed in the Supreme Court soon," said R Chandrasekhar, Secretary General, General Insurance Council.

Until then, the industry is working on following the new directive to mandating that PUC is a must for motor insurance, he told *BusinessLine.*

The move comes following a Supreme Court order last year under which insurance companies were directed not to insure a vehicle unless it has a valid PUC certificate on the date of renewal of the insurance policy.

The Ministry of Road Transport and Highways and the Insurance Regulatory and Development Authority of India (IRDAI) have recently asked general insurers to follow the order.

The government is hopeful that such a move would ensure that polluting vehicles do not get motor insurance and in turn will not be driven. Getting a motor insurance is mandatory for vehicle owners. However, general insurers have been concerned that the move would impact insurance growth in the country.

Bhargav Dasgupta, Managing Director and CEO, ICICI Lombard General Insurance, at the company's first quarter results call had said the move would impact insurance penetration. "The industry is working on the provisions and the council is also looking into it," he had said.

An executive with another general insurer said that ensuring compliance of PUC should be the responsibility of the Ministry of Road Transport and Highways and the traffic police. "Most vehicle owners know about the PUC requirements. More stringent fines and stricter compliance should be done. It is not something that general insurers can do," he said.

**Source**

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### *Third-party insurance for cars a must from September 1, says Supreme Court – Hindustan Times – 20th July 2018*

Third-party insurance for three years will become mandatory for cars being sold from September 1, the Supreme Court ruled on Friday. A bench of justices MB Lokur and Deepak Gupta also made it compulsory for two-wheeler owners to take third-party insurance for five years.

The order is expected to help road accident victims recover compensation from insurance firms, without going after the owner of the offending vehicle.

The bench also directed Insurance Regulatory and Development Authority to approve the insurance product as soon as it receives it from the General Insurance Council. The directive came after a court-appointed panel on road safety, headed by former SC judge justice KS Radhakrishnan, suggested having a long-term third party insurance.

The GIC sought eight months to prepare a policy but the court declined, noting that the "issue raised by the panel was of utmost concern". It ordered insurance firms to compulsorily offer third-party insurance as a standalone product and not jointly provide it under a comprehensive policy.

The bench is hearing a PIL related to road safety and had appointed Justice Radhakrishnan committee to look into measures to prevent road accidents and improve accountability. As per the panel report "longer term third-party insurance cover at the time of purchase would ensure that the road accident victims do not suffer due to the fault of the owner in not renewing his or her policy every year."

Advocate Gaurav Agarwal, who is assisting the court in the matter, said the panel forwarded the suggestion after it was found that out of 18 crore vehicles registered in the country, 12 crore are uninsured. This also includes heavy traffic vehicle. "50% of the uninsured vehicles are two-wheelers and statistics also reflect that maximum number of accidents are caused by these."

In a related order, the bench also asked the road safety panel to submit a report on how to give compensation to people who are killed in accidents caused due to potholes on roads. "This is frightening and a very serious issue. People who have lost their lives as a result of accidents caused due to potholes should be entitled to compensation. After all it happens due to the negligence of civic authorities," Justice Lokur said.

Source

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## Health Insurance

### *Irdai wants standardised exclusions in health policies - Financial Chronicle – 27th July 2018*

The insurance regulator has sought standardisation of 'exclusions' in health insurance policies and uniformity in wording the exclusions by insurers and has set up a working group to make recommendations on exclusions. With the rise in number of firms providing health insurance there is an increase in number of products offered. It's desired that the industry adopt a uniform approach while incorporating the 'exclusions' as part of product design as well as for wording of 'exclusions', said the Insurance Regulatory and Development Authority of India (Irdai) said.

"The recent Irdai order on forming a committee to rationalise the number of exclusions in health insurance, and to ensure uniform wordings on exclusions is a positive development. There is currently lack of standard exclusion list as most insurance firms have filed products with their own list of exclusions.

This leads to increased confusion among customers while choosing a health insurance product. With people becoming more tech-savvy and buying insurance policies online, a standard list of exclusions will be helpful while buying a policy," said Prawal Kalita, director (benefit solutions) at JLT Independent Insurance Brokers. The working group will rationalise exclusions by minimising the number to enhance the scope of health insurance coverage granted. It will also rationalise exclusions that disallow coverage with respect to new modalities of treatments and technologically advanced medical treatments.

The group will identify the type of exclusions that shall not be allowed. It will study wordings of the exclusions and standardise them, making it simple and easily understandable. It will also study the scope for allowing individual-specific or ailment-specific permanent exclusions at the time of underwriting so that the policyholders are not denied health insurance claims unrelated to the exclusions.

"One of the main objectives of the move is to help improve the scope of health insurance coverage for customer and also to ensure coverages with respect to new modalities of treatments and technologically advanced medical treatments do not form part of exclusion under the policy," Kalita said. Irdai, in the past, has also taken steps to standardise health insurance and to enhance transparency and uniformity in policy documents.

Source

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### *Will Ayushman Bharat do better than its predecessor schemes? - The Economic Times – 26th July 2018*

Sometime over the next few weeks — most likely in his Independence Day speech — Prime Minister Narendra Modi will formally launch what has already been billed as the world's biggest public healthcare programme, Ayushman Bharat, or the National Health Protection Mission (AB-NHPM).

The scheme was announced in the 2018-19 Budget and approved by the Cabinet in March. It will vault over all other social welfare projects of the NDA government, like Swachh Bharat, free LPG connections to the poorest families, electricity to all homes, and Jan Dhan bank accounts.

It will take years for Ayushman Bharat to be rolled out, but it will gratify what you might call the final-year itch. These go-for-broke compulsions kick in several months before a general election. They are always pro-poor, populist and profligate.

To recap, Ayushman Bharat will target 107.4 million 'poor and vulnerable' families identified by the 2011 Socio Economic and Caste Census — at least 500 million individuals, or about 40% of the population. (Never mind that by the time it is in place, these numbers will be nearly a decade old and probably an underestimate.)

A defined-benefit scheme, Ayushman Bharat guarantees insurance of up to Rs 5 lakh per family for secondary and tertiary healthcare. Beneficiaries will pay no premium, and the central and state governments will share the premium costs.

How much will it cost? Officials I spoke with estimate the average premium will not exceed Rs 1,000 per family. So, full enrolment may cost the exchequer up to Rs 10,000 crore. (Nagaland has quoted an annual premium of only Rs 444 per family.)

As welfare schemes go, Ayushman is dwarfed by the Rs 1.43 trillion spent by the government on food subsidies under the National Food Security Act (NFSA) in 2017-18. NFSA was pushed through by UPA 2 in September 2013 — a few months before a general election that it lost.

It is also important to remember that none of these schemes is an Eureka innovation. They are based on, and expand, an idea that somebody else thought of. NFSA pledged between 3 and 7 kg of subsidised rice, wheat and coarse grains to over 800 million people, or two-thirds of the population, plus free meals to pregnant women, lactating mothers, malnourished children and the destitute.

**More of the Same**

Although the BJP criticised the food security scheme, which expanded efforts by previous governments to sell subsidised foodgrains to India's poorest, it had no option but to implement it. The Modi government, using digitisation of public distribution system (PDS) records, has tried to curb leakages, cancelling 27.5 million fake ration cards, and linked 194 million ration cards to Aadhaar.

Reading between these lines, it is clear it costs a lot to keep millions of Indians in poverty. Although the government is experimenting with direct transfers of food subsidies to beneficiaries, the base prices of rice and wheat are nearly two decades-old and bear no resemblance to market prices — hence the huge subsidies.

Ayushman Bharat will subsume the Rashtra Swasthya Bima Yojana (RSBY), which was launched in 2008 by the UPA government. That was the year the UPA announced three stimulus packages that included a Rs 71,000-crore farm loan waiver. The recklessness continued after the UPA won the election, and the budget deficit hit a ruinous 6.8% of GDP in 2009-10.

As a first stab at near-universal healthcare for the poor, RSBY was a good scheme. It promised annual insurance of Rs 30,000 per family and targeted below poverty line (BPL) families, expanding later to include categories like construction workers, railway porters, street vendors and domestic workers. Beneficiary families used smart cards and only had to pay a one-time Rs 30 registration fee.

RSBY lost momentum after the UPA lost power. Originally designed to cover 70 million households by 2017, the latest data show that it has shrunk to 15 states, and only 36.3 mn families have been enrolled from a targeted total of 59.1 million as of March 2017. RSBY premiums were capped at Rs 750 per family annually.

As you can see, the devil will be in the details of Ayushman Bharat. It will issue e-cards to beneficiary families, but they have to be identified, informed and persuaded to enrol. Most state governments have signed up, including reluctant ones like West Bengal and Rajasthan that had its own Bhamashah programme targeting a wider population.

A couple of states are holding out — Odisha, which will go to the polls simultaneously with the Lok Sabha, and Telangana, where the old and more comprehensive Aarogyasri health insurance scheme of the Congress era has been adopted and expanded by the current Telangana Rashtra Samithi (TRS) government.

**Right Prescription**

Ayushman offers 135 packages, compared with RSBY's 70. Memoranda of understanding (MoUs) have to be signed with a host of state and private insurers. "The insurers are salivating," a public health official said, over the potential new business.

In March, Indu Bhushan was lured from a 21-year career with the Asian Development Bank to be the CEO of Ayushman Bharat. Bhushan, who was Director-General of the ADB's East Asia division, has worked on mass healthcare programmes in Thailand — where the popular 30-baht scheme led to universal coverage — Vietnam and Mongolia. Like Parameswaran Iyer, who left a World Bank job to lead the Swachh Bharat programme, Bhushan is a former IAS officer.

Source

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## *Modicare: Do the numbers add up at Rs 10,000 crore budget? A reality check – Financial Express – 26th July 2018*

In the Budget 2018 when the Narendra Modi government announced Rs 5 lakh healthcare coverage each to 10 crore poor families, loosely dubbed as Modicare, questions that popped up were how is this plan going to work, and is the budgetary allocation enough?

Health Minister J P Nadda later said that the government has allocated Rs 10,000 crore for the programme. Narendra Modi is reportedly planning to launch it on August 15, which will mark India's 72nd Independence Day.

So far, the government has finalised the beneficiaries and has put in place IT infrastructure and is working on the involvement of hospitals, and public and private insurance companies, Bloomberg reported earlier.

The yet to be implemented National Health Protection Scheme (NHPS) aka Ayushman Bharat aka Modicare seems "well-intended" and can boost health insurance penetration from the current 34% to 50%, Crisil said in a research report.

However, there is a concern: a projected premium of Rs 216 per person or Rs 1,082 per family, at a budget of Rs 10,000-11,000 crore, "looks very low", Crisil report said.

The NHPS programme subsumes centrally-funded state-level Rashtriya Swasthya Bima Yojana, which provided a coverage of Rs 1-2 lakh to about 3.63 crore families in the fiscal year 2016-17.

The research by Crisil points out that net incurred claim ratio (ICR) for government-sponsored schemes including RSBY has remained above 108% in the last three years, while that of most private insurers have stayed below 85% for overall health insurance business. Incurred claim ratio is the ratio of total claim paid by health insurance and the total premium collected in the same period.

Assuming that the ICR for private players that participate in the Modicare plan remains 85% and the hospitalisation ratio is at 7.5% families, the national average premium for an average claim of Rs 20,000 per family will come to Rs 1,765, which is 63% higher than the NHPS premium rate of Rs 1,082 per family, Crisil calculation showed.

Besides premium, frauds can also pose a big challenge. Recently, NITI Aayog member V K Paul hinted at the possibility of fraud in Modicare when asked about Rajasthan's healthcare scheme — Bhamashah — in which the premium increased from Rs 300 to Rs 1,300 in just two years.

"No matter what precautions you take, there will be an issue of insurance companies trying to make money. In some cases, not specific to the Rajasthan scheme, there was cartelisation by companies. They probably made losses after the first year because the premium was too low. So the next year they raised it all together. Now, these are bad practices and have to be tackled. That is where the system would come in," V K Paul recently said at a media session.

Noted development economist Jean Dreze also raised concern over low healthcare allocation for a huge population of 50 crore, and called Modicare a "hoax". When FE Online reached out to him for further explanation, he said that the per person per year premium is just Rs 200.

Source

"The Rs 10,000 crore for healthcare is just chicken feed. This is just a marginal increase in an abysmally low budget allocation for the healthcare – one of the lowest in the world as a proportion of GDP," Jean Dreze said.

## *Financing Ayushman Bharat: Are states ready? – Financial Express – 24th July 2218*

*Ayushman Bharat, which is one of the key initiatives of the Narendra Modi government, can necessitate a huge step up in public health spending in India, which currently ranks among the lowest in the world.*

Ayushman Bharat, which is one of the key initiatives of the Narendra Modi government, can necessitate a huge step up in public health spending in India, which currently ranks among the lowest in the world. Both the components of Ayushman Bharat—the National Health Protection Mission (NHPM) and the strengthening of the primary care system—together are capable of making significant demands for public funding. And both its components complement each other—while NHPM is aimed at providing financial protection to nearly 11 crore poor households against hospitalisation expenses, the strengthening of primary care is aimed at controlling the emerging need for hospital care through the provision of comprehensive primary healthcare.

Any public programme providing financial protection against hospital care runs a potential risk of becoming a huge drain on public exchequer. But if the programme is well-managed, it can keep costs low. And if a hospital care programme is also accompanied by a robust primary care system, it can keep the programme affordable, too. In that sense, Ayushman Bharat, which seeks to give a push to both these components, seems to be a well-thought-out strategy.

Whether Ayushman Bharat, together with other health sector programmes, can help the government achieve its goal of raising public health spending to 2.5% of GDP by 2025 is the moot point. But what can be said with certainty is that states will have to bear a significant cost of Ayushman Bharat and will continue to remain the dominant financer of public health spending in the country. Why is this so?

States currently incur two-thirds of total public health spending in the country. They are expected to bear 40% of the cost of Ayushman Bharat (10% in case of special category states)—up from 25% that states contributed in the key central health programmes previously. The 14th Finance Commission award increased states' share in the devolved central taxes, so that states can have a greater say in prioritising their own spending, especially in areas that are their domain. Indeed, the National Health Policy 2017 expects states to hugely step up their health financing from 4.7% at present to 8% of states' total spending by 2022, which is unprecedented—this share hasn't crossed 4.8% in the last 15 years.

Are states poised for it? To answer this, we need to understand the context a little better. There exists a huge variation across states not only in terms of size of economy (per-capita income) but also in terms of size of government (per-capita state government spending), their current health spending, their commitment to the health sector, their capacity to fund and implement health sector programmes and so on. Given these variations, states are placed differently in stepping up their public health spending.

**Understanding states' context**

International experience tells us that public health expenditure tends to rise with income. This trend, however, is not exhibited by Indian states that do vary significantly in terms of income. For example, Haryana, which is among high-income states (with per-capita income of Rs 1,77,723), spent only Rs 925 per person on health in 2015-16. Compare this with Rajasthan—a state with substantially lower income (Rs 94,311 per-capita)—which spent higher (Rs 1,070 per person) on health in 2015-16. Similarly, Tamil Nadu and Maharashtra have similar per-capita incomes (Rs 1,67,900 and Rs 1,67,607, respectively) but their health spending per person varied markedly (Rs 1,206 and Rs 838, respectively) in the same year.

This is mainly because public health spending in India is closely correlated not so much with the size of a state's economy but with the size of the government as measured by a state's per-capita spending. This being the case, one can immediately infer that an increase in a state's total spending is a sure shot way to increase a state's spending on health, too. While this general inference is correct, one can actually do better in terms of drawing finer inferences by placing states in different groups, depending on their context.

**State-specific strategies**

Categorising states into different groups based on two parameters—per-person state health spending and the share of health spending in a state's total spending—provides a useful perspective.

In the accompanying table, states are placed in four different groups depending on their health spending vis-a-vis their collective averages on two parameters. Considered here are only 21 states, excluding the eight north-eastern states as they face a different set of challenges and are treated differently.

On an average, these 21 states spent Rs 876 per person on health, and these states spent 4.6% of states' total spending on health in 2015-16. Bihar, Jharkhand, Madhya Pradesh, Maharashtra and Uttar Pradesh were below average on both the parameters, while Chhattisgarh, Goa, Gujarat, Himachal Pradesh, Jammu & Kashmir, Kerala, Tamil Nadu and Uttarakhand were above average. The remaining states were above average on one of the two parameters. This categorisation helps in understanding that not all states are similarly placed in stepping up their health spending and need to pursue different strategies to increase it.

Odisha and West Bengal need to increase state's total spending that will lift state's per-capita health spending too, given their already higher shares of health spending in state's total spending.

Andhra Pradesh, Haryana, Karnataka, Punjab, Rajasthan and Telangana need to prioritise health spending out of state's current total spending.

Bihar, Jharkhand, Madhya Pradesh, Maharashtra and Uttar Pradesh need to increase state's total spending and strive to prioritise health in their total spend.

Chhattisgarh, Goa, Gujarat, Himachal Pradesh, Jammu & Kashmir, Kerala, Tamil Nadu and Uttarakhand need to prioritise health incrementally, i.e. spend higher proportion on health out of incremental state spending. This is consistent with the observed international trend of rising share of public health spending with the increase in total public spending.

To conclude, health has gained political traction at the central level—as is evident from the announcement of an ambitious programme, i.e. Ayushman Bharat. States can no longer afford to ignore partaking in it and making necessary investments. However, not all states are similarly placed in stepping up their health investments. Improved understanding of their current health spending is a necessary step in learning the broad strategies that different states need to follow to meet their funding commitments under Ayushman Bharat.

**Source**

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## *Why insurance against cancer is critical – The Times of India – 23rd July 2018*

The dreaded C-word is in the news after actor Sonali Bendre disclosed that she has cancer. Earlier, actor Irrfan Khan had made his fight against the disease public, adding to the awareness about cancer and its treatment.

However, the level of preparedness for managing the financial aspect of the treatment remains low despite life insurers actively promoting policies that offer targeted protection. Recently, health insurer Star Health also launched a policy aimed at cancer survivors. "The sensitivity towards buying insurance to cover this disease is low. Distributors do not sell these policies as much as they promote policies with a savings element," says Anilkumar Singh, Chief Actuarial Officer, Aditya Birla Sun Life Insurance.

**Cancer plans the answer**

Cancer is now responsible for almost one in six deaths globally. With huge treatment costs, cancer policies can play a crucial role.

The sum insured can be as high as Rs 60 lakh and these policies cover cancer right from the early to the advanced stages. Future premiums are waived off on detection for three to five years to ease the burden on policyholders.

The claim settlement process is simple, as these are fixed benefit policies that hand out a pre-defined sum on diagnosis. Unlike regular health insurance covers, the cancer policy payout can be used to meet any recuperation-related expenses as well. Also on offer are increased sum assured options under premium variants, where the cover increases by 10% for every claim-free year. Income benefit is another feature that can help during the recovery phase, particularly if the health condition is debilitating enough to force a break from employment.

Despite the benefits, the policies have met with moderate response. "In India, a number of cancer products have been launched and uptake of cancer cover over time may increase, with increasing awareness levels, higher incidence of the disease, improving medical support and higher cost of treatment," says Khalid Ahmad, Head, Products PNB MetLife.

Unlike life insurers' cancer covers, Star Health's Cancer Care plan extends cover to those who have been diagnosed with cancer (stage 1 or 2). Launched as a pilot, the product covers the risk of recurrence, metastasis,

second cancer as well as second malignancy unrelated to first cancer, apart from regular hospitalisation expenses.

**Beware of the exclusions**

Study the exclusions and restrictions before you take a call. Cancer policies from life insurers restrict coverage for early-stage cancers to 20-25% of the sum insured. Later-stage cancer claims will be eligible for the entire sum assured minus claim paid out, if any, during initial stages. While, some plans provide a sum assured of 150% for major stage cancer, check if any particular cancer and recurrent claims of cancer affecting the same organs are excluded. For instance, Aegon Life's policy does not cover skin cancer.

Standard exclusions like pre-existing illness apart, cancer caused by sexually transmitted diseases, HIV, or AIDS or arising out of congenital condition and contact with radiation or radioactivity, are not covered under these policies.

**Cancer or critical illness**

A cancer cover will not be of help in case you contract other critical diseases. A regular critical illness policy or a rider covers a range of serious ailments. Therefore, you will have to make the choice on the basis of your health condition as well as family health history. Also ensure you have a basic health insurance policy in place to cover hospitalisation.

**Source**

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## *West Bengal to launch Ayushman Bharat under joint banner – The Economic Times – 20th July 2018*

The West Bengal government on Friday signed an agreement to implement the Centre's health insurance scheme under the joint banner "Ayushman Bharat - Swasthya Sathi", ending months of uncertainty over whether the Trinamool Congress-ruled state would back the initiative. West Bengal health department principal secretary Anil Verma signed a memorandum of understanding to implement Ayushman Bharat-National Health Protection Mission (AB-NHPM) through a "mixed mode" of third-party insurance and state-run trust, Indu Bhushan, chief executive of AB-NHPM, confirmed.

Under the agreement, the state government is expected to expand the number of beneficiaries under its existing health scheme to provide more than 11 million families with health cover of Rs 5 lakh each, according to Bhushan. At present, there are 4.12 million families listed as beneficiaries under West Bengal's 'Swasthya Sathi' health insurance scheme, and 6.29 million families are covered under the 'Rashtriya Swasthya Bima Yojana' (RSBY), according to data from the health ministry.

ET's calls and message to Verma remained unanswered till as of press time on Friday.

West Bengal was the first state to decline participation in the scheme, with Chief Minister Mamata Banerjee reportedly terming it a "waste" of the state's hard-earned resources when it already had its own health protection scheme.

However, Banerjee was learnt to have given her "in-principle" approval last month during a Niti Aayog governing council meeting chaired by Prime Minister Narendra Modi. "As far as the health insurance scheme is concerned, we already have this in our state. People in Bengal get free treatment in all government hospitals," Banerjee had told media persons following the Niti Aayog meeting in June.

**Source**

So far, 26 states, including Andhra Pradesh, have signed agreements to implement AB-NHPM. Delhi is also learnt to have given its in-principle approval for it. Odisha is among the states still opposition to the scheme.

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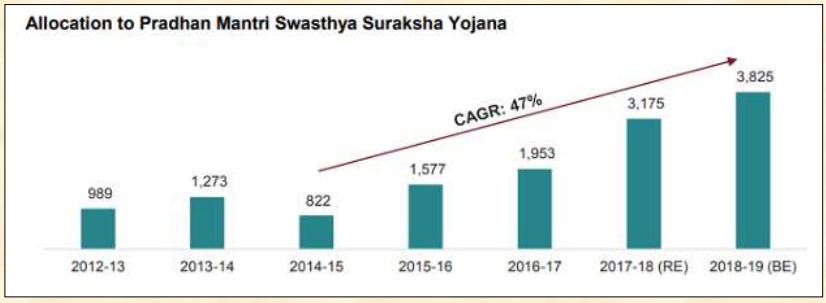
## *3 times increase! Affordable healthcare allocation under PM Swasthya Suraksha Yojana tripled in Modi-era – Financial Express – 20th July 2018*

Even as Ayushman Bharat, popularly known as Modicare, has been the highlight this year in the healthcare sector, the Narendra Modi government, in the five budgets, steadily increased the budgetary outlay for the flagship Pradhan Mantri Swasthya Suraksha Yojana (PMSSY), data from Budget documents show.

Launched in 2003, the PMSSY aims to correct regional imbalances in affordable tertiary healthcare services by setting up new AIIMS-like hospitals and upgrading existing medical colleges. The allocations under PMSSY were

Rs 989 crore in 2012-13; Rs 1,273 crore in 2013-14; Rs 822 crore in 2014-15; Rs 1,577 in 2015-16; Rs 1,953 2016-17; Rs 3,175 in 2017-18 (revised estimate); Rs 3,825 crore in 2018-19 (budgeted estimate).

If compared the last allocation done by the UPA-II government to the budgeted estimated allocation by the NDA government in 2018-19, there is a three times increase. As pointed out by rating agency Crisil, the compound annual growth rate (CAGR) has been 47% in the last five years.




"Over the past four years, the central government has already spent Rs 7,527 crore (fiscals 2015 to 2018) on the scheme (PMSSY) and has budgeted Rs 3,825 crore for fiscal 2019. Robust CAGR of 47% in expenditure on the scheme clearly hints at central government's emphasis on tertiary care infrastructure," Crisil said in a report.

However, the mammoth task reviving tertiary healthcare in a country with 1.21 billion, would require more than just the public spending. India's allocation in the healthcare sector has been the lowest in the world between 0.98% and 1.18% of the GDP. "The government will definitely need the support of the private sector in rapidly expanding secondary and tertiary care health services in the country," the report added.

There are several schemes under which the government, in partnership with public and private insurance companies, provide healthcare coverage to, mainly, employees. The schemes are Central Government Health Scheme (CGHS) for employees of the central government, Employees' State Insurance Scheme (ESIS) for employees of factories, and Rashtriya Swasthya Bima Yojana (RSBY), shared between state and centre for poor population.

**Source**

The National Health Protection Scheme (NHPS), the Ayushman Bharat scheme will subsume RSBY and will also lead to an increase in the insurance cover from Rs 1-2 lakh to Rs 5 lakh.

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## Crop Insurance

### *Cops make insurance claims easier – The Times of India – 25th July 2018*

There is finally some relief in sight for the kin of accident victims who run around for compensation. Cops have decided to upload all accident-related documents for insurance companies to act upon and release the compensation quickly.


Also, motorists will now receive insurance premium due-date alerts from police, just like the pollution certificate renewal reminder they receive at present.

The twin decisions were taken by the Kolkata traffic police after a meeting with insurance companies last week. "When we asked them about the reasons for the delays, the insurance companies harped on the need for documents. We have written to IRDA and they suggested us to streamline the system that will help in tracking the papers. Accordingly, we will be uploading FIRs and other reports so that both the victim's kin and the insurance companies — can access them," said a senior Lalbazar official.

Police sources said they wanted the insurance information to be linked to their database just like the pollution certificates. This is a win-win situation for motorists and police, claimed senior officers. "One, we can easily alert motorists of approaching premium dates. Two, it will help us during manual checks to decipher if indeed a motorist has completed

Source

the formalities and three, it will help us locate fake claims, a major grouse among insurance companies," explained an officer. "We have spoken to IRDA Hyderabad extensively and it has been decided that data will be exchanged with insurance companies. We will see how we can take this issue forward," said DC (Traffic) Sumit Kumar.

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### *Claims under crop insurance scheme stand at Rs 16,000 crore for Kharif 2017 - Financial Express – 21st July 2018*

Claims made under the Pradhan Mantri Fasal Bima Yojana (PMFBY) for the Kharif 2017 stood at Rs 16,000 crore. While Rs 11,000 crore has been paid to farmers, remaining Rs 5,000 crore would be given in the next few days, said senior officials from the ministry of agriculture. Officials also added that, out of Rs 5,000 crore which is still pending, Rs 1,500 crore is the state subsidy which is yet to be paid by Bihar and Telangana. While premiums received by the insurance companies for kharif 2017 is at Rs 19,000 crore.

"We expect that 90% of the claims for Kharif 2017 will be done in the next five-seven days, barring `1,500 which is pending from two states. Meetings have happened between the ministers; we have also written to the chief ministers to intervene because its their states' farmers and we hope that this gets resolved soon," added a person from the ministry of agriculture.

In 2015-16, premiums under the crop insurance was Rs 4,200 crore which went up to Rs 22,180 crore in 2016-17. While, in the last financial year, premiums were Rs 24,352 crore and its is projected that in this financial year the premium number would be around Rs 27,000 crore. Insurance participants also added that, loss ratio in the scheme was 75% in the 2016-17 and 90% in the last fiscal. Crop insurance has played important role in the growth of non-life insurance in the last two years. In the financial year 2016-17, general insurance companies had posted a growth of around 32%, largely due to the implementation of PMFBY, which had received premiums of around Rs 22,180 crore.

Source

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### *India: Govt to set new guidelines for national crop insurance scheme – Asia Insurance Review*

The Indian government has decided to issue new guidelines to make the national crop insurance scheme - Pradhan Mantri Fasal Bima Yojana (PMFBY) - more efficient. According to an official of the Ministry of Agriculture & Farmers' Welfare, the new guidelines aim to incentivise insurers to improve their PMFBY services. They would cover, for instance, the use of district-level crop cutting data, reports Indian Express.

The changes are being planned at a time when farmers' enrolment under the scheme saw a decline of 20% in the financial year ended 31 March 2018 (FY2018). In FY2017, number of farmers covered under the PMFBY stood at 57.3m. The government has indicated that despite the fall in farmers' enrolment, it would expand coverage to 50%. In FY2017, coverage was at 30%.

Another issue is the timeliness of compensation payments, some of which are stalled because several states have not paid their share of premiums to the scheme. The central and state governments subsidise premiums under the PMFBY, with farmers who subscribe to the insurance scheme required to pay a small proportion of the premium.

Source

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## Opinion

### *Embedded value: Policyholders can question the LIC-IDBI Bank deal – Financial Express – 24th July 2018*

*The writer is former MD & CEO, Star Union Dai-ichi Life Insurance*

Life insurers make money by investing the surplus that they accumulate every year and maintain this in a separate account known as Life Fund. The surplus is the difference between income and expenditure in the revenue account of the company. In life insurance business the surplus is not the profit because every year companies receive premium and also settle both maturity and death claims; but life insurance being a long-term contract the premium is received in instalments over a long period of time against liability undertaken.The outgo

may also occur anytime during that period or when the contract ceases by completion of the term of each contract. The insurers therefore do not treat the difference between income and expenditure during a particular year as profit.

They transfer such amount to another account known as Life Fund where every year accumulation happens. But every business must earn profit; hence the actuary, who is especially trained to assess the assets and liabilities of an insurance company, conducts valuation of the liability of an insurer which is spread over various tenures in the coming years.

**Life Fund**

If the Life Fund is bigger than the net liability of the company the difference is declared as profit of the insurer. For any company to be in sound financial health a well-maintained and well-protected Life Fund is important. The Life Fund acquires exceptional sanctity in the financial world. It needs to be protected and also augmented through prudent investment in financial markets so that the fund not only remains secure but also generates profit for the participating policyholders and the shareholders. The Life Fund, maintained by each insurer, is invested in a very large volume in the bonds and securities market. Life Fund is regulated by the government through legislation and also by the regulators. At any point of time, the Life Fund must be equal or more than the net liability of the insurer.

For maintaining a healthy Life Fund, expenses other than the outgo in respect of claims must be under strict control and investment should be fully secured and capable of yielding a good return so that the company remains financially healthy and attractive in terms of returns to the policyholders and shareholders. In its true spirit, the custodian of the Life Fund is only a trustee and not the owner of the fund. The funds must be invested with a view to provide best possible return. Insurers do not have the privilege of investing the money in any manner that they like. As the liabilities of the insurers keep mounting exponentially everyday with satisfactory growth in their new business the insurers cannot, at any point of time, afford to miss adequate return on investments.

The Irdai monitors investment by insurers and issues guidelines to ensure that the policyholders' fund is not misused and earns reasonable returns. No life insurer should have more than 15% shareholding in any firm. This is how concentration of risk is sought to be avoided. However, insurers with very large Life Funds sometimes grudge the lack of adequate investment opportunities and seek approval from the regulator to exceed the investment limit as a special dispensation.

**LIC investing in IDBI Bank**

The decision by the LIC board to buy 51% stake in IDBI Bank and the permission given to LIC by Irdai to hike its investment in the bank raise several questions regarding the motive behind such investments. In this deal, as reported, `13,000 crore is required to be pumped in by LIC. The LIC board is merely a trustee of the policyholders' money and with all its prudence may not be empowered to take such decisions.

Even a common policyholder may ask the board to justify its decision of investing the money in a bank burdened with 28% NPA and that has a life insurance company of its own. If owning a bank is a business imperative for LIC, in 2001 it had invested in Corporation Bank which was rated the best public sector bank those days. Even now LIC holds around 13% stake in this bank. During all these years LIC board has never deliberated on how to utilise its control on Corporation Bank for strategic advantages. Policyholders may question how a trustee of their fund has taken them for granted. Such decisions may trigger threats to LIC's very well-groomed image as the most trusted insurer in the country.

**Source**

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## Insurance Cases

### *Getting insurance for rain-damaged cars an uphill task - Hindustan Times (Delhi) – 25th July 2018*

Sheer negligence on the part of civic authorities often land citizens in distress during the monsoon. Open manholes and ditches, unattended potholes and naked wires left dangling dangerously close to pedestrian pathways are some examples. Heavy flooding and water logging of the roads is another major problem, leading to stalling of cars while traversing these roads. The damage to the engine of the car in such situations could well

be severe and the cost of repair, steep. Worse, there is every possibility of the insurance company pointing to some clause or the other to reject the claim. All in all, a pretty gloomy scenario.

Well, recently, I came across two awards of the Insurance Ombudsmen that could well dispel the gloom and bring some cheer– at least in respect of insurance claims vis-à-vis rain-damaged engines.

In Lt. Col A.K.NAG Vs Bharti Axa General Insurance Company Limited, for example, the complaint before the Ombudsman had its origin in the stalling of the complainant's car, while being driven during a heavy downpour on July 20, 2017, in Noida. According to the complainant, when he tried to re-start the car, he noticed white smoke coming out of the exhaust pipe. The service centre to which the vehicle was taken said the engine was damaged.

The complainant promptly informed the insurer about it and a surveyor was sent to inspect the car, but eventually, the insurer repudiated the claim saying that 'mechanical breakdown' and not water was the cause of the engine damage and since the comprehensive motor vehicle policy did not include an add-on 'engine protection cover' , the insurer cannot pay.

In order to decide the case, the Ombudsman sought the opinion of an independent Insurance Regulatory and Development Authority (Irda)-approved surveyor. His view was that due to sudden water logging caused by heavy rain, the engine had been damaged. So the main cause of loss was flood or rain water (natural calamity) peril, which was not excluded in the comprehensive motor vehicle policy. In view of this, the rejection of the claim was unfair and unjust and the complainant should be paid Rs 152,900, the Ombudsman said. (Date of award: December 22, 2017).

In yet another case (Shri Jitendra Kumar Vs IFFCO Tokio General Insurance Company Ltd) emanating from engine damage caused during heavy rain on June 21, 2017, the insurer argued that the breakdown had occurred on account of mishandling and using the vehicle after engine damage caused by rain water. Thus this was a consequential loss, not covered under the policy, the insurer said. Besides, the information about the breakdown was given after a delay of 24 days, a violation of the policy condition which stipulates immediate intimation to the insurer.

In this case too, the Ombudsman sought the technical advice of an independent IRDA-APproved surveyor, who opined this was not a consequential damage as the water had entered the engine box and caused damage to the engine parts. The damage thus caused by rain water came under the category of 'flood and inundation', a peril covered under the policy. So here too, the Ombudsman said the denial of claim was unjust and unfair.

However, keeping in mind the delay in informing the insurer , the insurance company was directed to settle admissible loss on 'substandard basis' to the insured. .(Date of award: December 21, 2017)

Given the atrophied state of our civic bodies, water logging is a perennial problem and the least the insurers can do is to minimize the misery of consumers by honouring claims quickly and fairly. They should also educate consumers on driving on flooded roads and dealing with a stalled car, so that they do not violate any conditions in the policy.

**Source**

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## *Fake call centre that cheated insurance policy holders busted – The Times of India – 23rd July 2018*

Mora coastal police have busted an alleged fake call centre racket that operated from a rental office in Vikhroli with the arrest of 11 men, including three masterminds, for duping insurance policy holders. The gang was busted after cops probed a case registered in February 2018 where a Raigad school principal was duped of Rs 96,000. A caller had contacted principal Hemant Mhatre (52), a resident of Kegav village in Mora, by posing as a representative of DHFL life insurance company and offered him a settlement for his insurance claim of Rs 34.9 lakh if he cleared his outstanding premiums. The caller made Mhatre deposit the premiums in a bank account of key accused Vikrant Shirodkar.

The arrested key accused include Vikhroli residents Pramod Jadhav and Vineet Suryakant and Palghar's Vikrant Shirodkar. The other accused are the tele-callers appointed at the fake call centre, including Bhaurao Akhade, Amarendra Pal, Suraj Saroj and Aashish Kumar Tiwari, all from Vikhroli, and Kalyan's Amol Kadam, Bhiwandi's Rajan Ghadi, Mumbra's Deepak Tiwari and Kurla's Arvind Singh.

Inspector Dattatray Kindre said, "The gang has been operating the fake call centre for the past eight months. We have frozen their six bank accounts in Virar, Vasai and Thane, in which their targets were made to deposit the premium amounts. There is around Rs 9 lakh and Rs 5 lakh in the two accounts, respectively. They have cheated more than 15 insurance policy holders by making them deposit money ranging from Rs 50,000 to Rs 1 lakh."

Mohite said, "In case of Mhatre, the caller offered a settlement of his insurance claim and gained his trust by sending him a WhatsApp message of a forged letterhead of DHFL and even of the income tax department." Kindre said, "The gang members have previously worked for different private life insurance companies from where they had stolen data of individual insurance policy holders with their policy details and mobile phone numbers."

Source

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## Pension

### *PF subscribers may get choice of investments for higher returns - The Economic Times – 27th July 2018*

Provident fund subscribers may soon have flexibility to park their savings in equity, debt or a combination of both as per their choice, with the labour ministry firming up a policy to do away with the existing cap on investments. The new policy will allow five crore subscribers of the Employees' Provident Fund Organisation (EPFO) to choose an investment pattern of their own to earn higher returns, much on the lines of the National Pension Scheme (NPS), a senior government official said.

The options available will include government securities, debt instruments, equity investments, money markets and infrastructure investment trusts. Under NPS, active subscribers are allowed to invest in any of the four schemes in the proportion they want, subject to overall caps. The labour ministry has prepared a draft policy on investment pattern of EPFO under which it plans to giver subscriber a free hand to decide where and how much would he like to park his money, the official told ET on the condition of anonymity.


The draft is ready for stakeholder consultation, following which it will be finalised. According to the official, the proposal will have twin benefits. It will provide greater flexibility to subscribers to maximise returns, and at the same time provide long-term resources to productive sectors in the economy.

Currently, the finance ministry notifies investment pattern that prescribes a ceiling on investments under each head for non-govt provident funds, superannuation funds and gratuity funds.

As per the existing pattern, applicable since April 1, 2015, up to 50 per cent of the PF kitty can be invested in government securities, up to 45 per cent in debt instruments, up to 15 per cent in equity and 5 per cent each in money market and infrastructure trusts. Currently, PF savings of all subscribers are invested in the above prescribed pattern and the subscriber does not have a choice of investment.

Annual returns on PF savings is over 8.5 per cent , lower than around 10 per cent on NPS that givessubscribers an option to invest up to 50 per cent contribution in equities. The move has been triggered by falling returns on government securities and debt instruments over the last few years compared with higher returns on equity investments. While government securities and debt bonds fetch around 7 per cent annualised return, the return on equity investment under EPFO has been over 16 per cent since it started in 2015.

Earlier last year, the central board of trustees of EPFO had approved an accounting policy to credit exchange-traded funds (ETFs) into the members account apart from cash component. As per this accounting policy, all subscribers of the EPF scheme would individually have two separate member account heads — fixed income, where fixed annual interest gets credited to members account, and equity, where investment in equity is reflected as units and the return is marked to market.

Source

### *House panel suggets strong norms for exemption to PF trusts – Financial Chronicle – 25th July 2018*

A parliamentary panel has asked the government to frame strong guidelines for giving exemptions to establishments for managing provident funds of their employees through trusts with a view to keeping a check on misuse of such funds.

There were no clear guidelines for such exempted establishments to keep unclaimed deposits and some of them could be using them as their working capital, it said in a report that was tabled in Parliament on Tuesday.

The 31-member committee headed by Kirit Somaiya (Lok Sabha) found that as many as 118 establishments had total corpus of less than Rs 1 crore and the last return filed by them dates back to 2014 and 2015.

The committee feels that these establishments may not have taken any steps to benefit their subscribers, said the report. "Strong guidelines for grant of exemption may be made, which make it mandatory to take into account past performance, net worth, group performance as well as minimum strength of workers, collections, contributions and corpus of the company /establishment," it said.

The committee said there was hardly any compliance audit conducted by the employees provident fund organisation (EPFO) to check misuse of funds and audit mechanism gained momentum after the panel intervened.

"Hence the committee feels that some of the exempted establishments could be using the unclaimed deposits as their working capital. They (the committee) therefore desires that such possibilities should be considered while framing the guidelines and stringent penalty may be prescribed in order to deter the exempted establishment from carrying out such illegal activities," the report said.

In its reply to the panel, the government said legal provisions are already present in the law that deters organisations from using unclaimed amounts of the employees as the working capital. No such incident has been reported from field offices, the government said.

Among others, the panel has asked the government to revise the surcharge levied upon trusts who fail to invest the provident fund as per rules notified by the government as well as to conduct regular inspection. An organisation is slapped with such a penalty if it deviates from the set investment pattern three times, and if it is still found to be indulging in same activities, the exemptions from EPFO is cancelled.

"From the list of 317 such establishments, on whose board of trustees surcharge was levied, the committee observes that most of them were closed. The committee therefore, desires that such a futile exercise needs to be tackled with regular physical inspection by the regional inspectors and if required cancellation process be speeded up," it said. The standing committee on labour reviewing 'Exempted organisations/ trusts /establishments from EPFO: Performance, issues and challenges laid its report in Parliament on Tuesday.

**Source**

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### *Person, not in employment for a month, to get 75% PF - Financial Chronicle – 24th July 2018*

An employee, who is not in employment for a month, may be allowed to avail 75 per cent of the total fund standing to his credit, labour minister Santosh Gangwar said on Monday.

Gangwar said in the Lok Sabha that the Central Board of Trustees (CBT) of the Employees' Prvident Fund (EPF), at its 222nd meeting on June 26, had considered a proposal for insertion of paragraph 68HH in Employees' Prvident Fund Scheme 1952.

This will enable a member of EPF, who is no longer in employment for a continuous period of one month, to avail 75 per cent of the total fund standing to his or her credit, the labour minister said during the question hour in the Lower House of Parliament.

The minister said the Employees' Provident Funds Scheme, 1952, enables a member to withdraw the full amount standing to his credit in the fund on ceasing to be an employee in an establishment for a continuous period of two months immediately proceeding the date on which he makes an application for withdrawal.

**Source**

The requirement of the two-month waiting period will not, however, apply in cases of female members resigning from the services of the establishment for the purpose of getting married, the minister said.

## Global News

### *Asia: Insurance supervision in the region shifting towards customer protection – Asia Insurance Review*

Insurance regulators in Asia are increasingly looking at areas such as customer protection and meeting policyholders' reasonable expectations (PREs), although these areas are still at a nascent stage in many of the markets in the region, according to a report by Milliman, a premier global consulting and actuarial firm.

In its report, entitled "Regulatory diversity across Asia", Milliman provides an insightful analysis on current regulations applicable to life insurers across 14 Asian markets. These are Brunei, China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam.

The different markets are at very different stages of evolution—in general economic, social and demographic terms and in respect of the maturity of their various life insurance industries. Consequently, the insurance regulatory regimes vary significantly across the markets, often making it difficult for insurers to keep track of how the regulations change across the region.

Apart from the trend of regulators looking at customer protection and meeting policyholders' PREs, key observations from the report include:

- The markets in Asia are still 'rules-based' (as opposed to 'principle based'). Detailed rules and regulations govern different aspects of the industry.
- There is also an increasing focus on strengthening the governance environment through the Appointed Actuary/Chief Actuary systems and the role of board committees.
- There is a clear trend towards adoption of RBC (Risk Based Capital) regimes and the enhancement of such frameworks, wherever already adopted.

**Source**

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### *Malaysia: Govt studies health takaful for low and middle income groups – Asia Insurance Review*

The government is studying the possibility of introducing health takaful coverage for low and middle income Malaysians, Health Minister Dr Dzulkefly Ahmad has revealed.

The detailed study on health takaful protection would pave the way for coverage that allows the bottom 40% of Malaysians to have more access to health, treatment, medication and medical interventions, reports The Malaysian Reserve.

"The takaful based options will emphasise the financing of cost effective treatment models such as daily or daycare treatments and inpatient treatments, among others," Dr Dzulkefly said in Parliament.

**Source**

He was responding to a question from a lawmaker who queried the latest development regarding the implementation of the country's National Healthcare Scheme.

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### *Indonesia: Insurers turn increasingly to investment linked products – Asia Insurance Review*

Domestic insurers in Indonesia are increasingly selling Investment-Linked Products (ILPs) to compete with joint venture companies with multinational life insurance partners, according to the latest life insurance market report on Indonesia by Axco Insurance Information Services (Axco), which supplies global insurance market information.

ILPs which offer twin attractions of an investment savings with valued protection benefits are structured as unit-linked products and sales have grown rapidly since they were introduced. They overtook traditional endowment sales in 2008 and accounted for 53% of life insurance market written premium in 2016 following a 31% increase in written premium one year before.

The market is dominated by a narrow range of individual, regular premium, life insurance savings products, sold predominantly through agency forces and the bancassurance channel. Most domestic insurers are selling traditional participating endowments.

There is a growing corporate benefits market that offers insured group life cover with riders which may include total permanent disability (TPD), personal accident (PA) and emergency medical expenses. This may be

impacted by the social security reform that is rolled out by the government over a multi-year time horizon and it has weakened demand for private benefits in some areas on account of higher mandatory employer contributions and benefit enhancements. Leading multinational life insurance companies have flocked to the market in recent years, bringing expertise and resources and helping grow the market. The report also notes an increased number of foreign insurance companies entering the market.

**Takaful**

Shariah life insurance is another market niche considered to have potential in this majority Muslim country and it benefits from government support. There are 30 shariah licensees, an increase of six since last reported and 23 of which were life company shariah units.

Reports of its progress, however, are mixed. The regulatory states it is growing faster than conventional business, while the industry trade body counters it is not really growing at all. The fine distinctions between conventional and shariah insurance products are also said to be lost on most in a market where few have a clear understanding of life insurance.

Ms Carol Au-Young, Axco's Global Head of Client Development, said, "The underdeveloped market in Indonesia and growth of its young demographic make it one of the fastest growing life insurance markets in the world and it presents multinational insurance companies with tremendous opportunities to tap the expanding middle class of Indonesia. As life expectancy, income and financial literacy improve in the country, the need for life insurance is increasing."

**Source**

Indonesia continues to report a resilient economic growth at 5% plus year on year and is becoming one of the world's most attractive markets for life insurance propositions.

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## *Indonesia: Transport insurance business forecast to grow by 10% this year – Asia Insurance Review*

A new regulation covering insurance for the export of coal and palm oil (CPO) as well as improving economic conditions are likely to boost transport insurance, including marine cargo insurance, at least until the end of 2018, says the Indonesian General Insurance Association (AAUI).

AAUI Executive Director Dody Achmad Sudiyar Dalimunthe assessed that transport insurance business could grow by up to 10% this year. This class of business is supported by regulations which make domestic insurance mandatory for the export of CPO, reports Kontan. "This regulation has the potential to increase premium revenue from the transportation insurance business line when it comes into effect on 1 August 2018," Mr Dody said.

**Source**

However, so far, export transport activities are still dominated by foreign insurance companies, because the system uses the free on board (FOB) mode. Under this, obligations, costs, transportation and risk of delivery of goods is borne by the buyer. So far, oil palm and coal exports mostly use FOB trading schemes, and overseas buyers decide the insurance, he explained.

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