Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

"When we are no longer able to change a situation, we are challenged to change ourselves."

– Dr Viktor E Frankl

INSIDE THE ISSUE

Industry

GST impact: Insurance premium, bank charges to increase – The Economic Times – 31st May, 2017

The impending implementation of GST would undoubtedly impact one's personal finances especially when it comes to financial services, albeit marginally. From the present rate of 15 percent, the GST on banking, insurance and investments such as real estate, mutual funds will see a hike of 3 percent as the GST will now be 18 percent on them.

Let's see how each of them gets impacted.

GST and Insurance

Primarily, there are three major kinds of life insurance products – Term insurance plans, Ulips and Endowments (including money back). The applicability of service tax (in the current format) on their premium is not similar in all three of them.

The premium paid in life insurance policies represents two portions – risk coverage and savings. The service tax is only on the risk portion of the premium and not on savings portion.
As per the GST rules, the value of services (on which GST is to be imposed) in relation to life insurance business shall be:

(a) The gross premium reduced by the amount allocated for investment, or savings on behalf of the policy holder.

(b) In case of single premium annuity policies, ten per cent of single premium charged from the policy holder.

(c) In all other cases, 25 per cent of the premium in the first year and 12.5 cent of the premium in subsequent years. So, if the premium of an endowment plan is Rs 100, the GST of 18 percent will be applicable on the 25 percent of the premium i.e. on Rs 25, so, Rs 4.5 will be the GST amount.

(d) If the entire premium paid by the policy holder is only towards the risk cover in life insurance such as in term insurance plans, the GST of 18 percent will be on the entire premium.

Therefore, the immediate impact of GST would be the higher outgo (premium plus GST) in term and endowment plans, due to the increase in rate of tax on insurance following implementation of the GST. "In theory, this could mean an increase of 3% in premium from the existing applicable premium effective from 1st July 2017, across life, health and general insurance, however, some of this should be offset if tax on services availed by the industry are allowed to be taken into account to decrease insurers' tax paid," says Mathieu Verillaud, Chief Financial Officer, Bharti AXA General Insurance.

The policyholders may stand to benefit only if the insurance companies are allowed the benefit of input tax credit. "This unfortunately is not clear as of yet given the complexity of the state/centre structure of GST, this might drive some confusion as well as higher compliance and administrative costs for insurers. If these are not passed on to customers, prices might either go up, or stay low but will affect the market's solvency and financial health," says Verillaud.

Similar will be the impact on general insurance such as car, health and other non-life policies i.e. service tax (when replaced by GST) will increase by 3 percent of the premium amount. This would increase total outgo (premium plus tax).

Impact : The overall impact could be nominal but once implemented, both, existing and new policyholders will have to bear the additional cost. If the current premium of a term plan is Rs 10,000, (excluding the service tax of 15 percent) the GST impact will up the premium including tax by Rs 300 i.e from Rs 11,500 to Rs 11,800. While, comparing premium especially of term plans, make sure you are looking at premiums including or excluding GST for all the insurers. Nothing changes in the selection process as the GST impact will be same across insurers. Stick to a proper selection process while getting the right insurance policy.

GST and real estate

Real estate sector is marred with plethora of taxes both at the state and central level. GST hopefully will put in a more streamlined tax structure in place. "The heavily taxed real estate sector welcomes a single stable 12% GST rate, inclusive of the value of land and with full input tax credits," says Rajeev Talwar, Chairman, NAREDCO.

But, will the home prices be lower than they are now in the post GST era? "NAREDCO is of the view that the actual tax incidence under GST would match or be lower than the existing multiple indirect taxes on the sector. The GST rate for work contracts which will also be offset by input credits, will provide for a seamless and simplified tax policy", says Talwar.

However, it seems arriving at a conclusion regarding price impact could be a bit premature. "The GST rate is not the only important factor. The abatement rules as applicable under the service tax regime and the input tax credit facility for developers will determine if the effective tax incidence on real estate is lower or higher under GST," says Anuj Puri, chairman of JLL Residential.

According to Puri, here's why it will take time to conclude if the GST is tax neutral or tax adverse for the real state sector, ""Effectively, the composition scheme allowing for abatement against cost of land to the extent of 75% of the house cost for residential units priced under Rs 1 crore and less than 2000 sq. ft. makes the effective rate at 3.75%. In other cases, the abatement goes down to 70%, making the effective rate at 4%. This will go a long way in determining whether GST is tax neutral or tax adverse for real estate".

The situation may not be same in the luxury segment. Surendra Hiranandani, Chairman & MD, House of Hiranandani says, "In the case of a premium development, the entire input tax credit is not sufficient to bring down the fresh tax liability to nil because of the taxes paid on other expenditures, having negligible impact."

The actual impact may be few months away after the implementation of GST. "More clarity will prevail once the GST gets implemented and the government clears its stand on the abatement available for the land cost for calculating service tax on under-construction projects." says Hiranandani .

GST and banking

Transaction fees in financial services are likely to increase as the government has put these under the 18% tax bracket in the new GST regime. These services were so far taxed at 15% and the hike in the tax rate means that individuals will have to pay Rs 3 more for every Rs 100 paid as charges/fees for banking transactions. It may be mentioned that recently several banks starting with SBI introduced or increased service charges for multiple banking transactions including cash withdrawals exceeding a certain number of times in a month.

GST and mutual funds

The impact of GST on the returns of mutual funds will be largely marginal. The levy of GST will be on the total expense ratio (TER) of the mutual fund. The TER, commonly known as expense ratio of mutual fund houses, will also go up by 3 per cent. Expense ratio is the measure of the cost incurred by an investment company to operate its mutual fund.

As per the SEBI guidelines, AMC's can levy charge within the limits prescribed under the regulations. So, if the limit is say, 2.25 percent of total assets under management, the service tax of 15 percent has to be within it.
Impact : Let's assume the return on equity (market return) is 15 percent when the scheme's TER is 2.25 (regular scheme) including the service tax. This means, TER without tax is 1.96. Now, to maintain the same TER (as it is

capped), at a higher GST rate of 18 percent, the TER has to be lower at 1.91 percent. The AMC's may have to absorb this marginal difference unless SEBI increases the TER cap.

Conclusion

Even though the hike will be nominal, taken together for all the insurance covers, the increase in the outflow could be something to account for by many policyholders. For someone paying annual premium for car, household, health, term plan, personal accident cover, a total of say Rs 50,000 a year could see a jump in premium outflow by Rs. 1,500 a year, with no additional risk coverage or benefits. The actual impact of GST on financial services including banking, insurance will however, be known only once it gets implemented. As a policyholder and an investor, no change, as of now, is required to be made in advance when it comes to GST.

Source

Back

High service charges, mis-selling of insurance products under RBI scanner – Business Standard – 31st May, 2017

The Reserve Bank of India (RBI) would probe into "exorbitant" service charges imposed by banks and mis-selling of third-party products, especially insurance policies, during its supervisory review, RBI Deputy Governor S S Mundra said on Tuesday.

The central bank would also issue final guidelines on customer protection soon, which would limit customers' liability in cases of unauthorised electronic banking transactions, Mundra said. Last year, the RBI had issued a draft circular in this regard.

Mundra said customers had flagged the issue of high service charges for failing to maintain minimum average balance, among other things.

While banks had been granted autonomy to fix minimum average balance or charge for premium services, it should not be used as an excuse to deny service or drive away the common man, he said while addressing the annual conference of Principal Codes and Compliance Officers (PCCOs).

The supervisory review for 2016-17, which will begin soon and continue until December, would look into wrong selling of financial products like mutual funds, insurance and retail bonds. Also under scanner would be usurious charges and violation of know-your-customer (KYC) norms, the deputy governor said.

About the safety of cheques, he said many cases of fake cheques surfacing in customer accounts had been reported. This had compromised information about customers, he said, adding the quality of cheques being printed was not of a high order.

Referring to the complaints made to banking ombudsman in 2015-16, Mundra said the complaints had exceeded over a lakh for two consecutive years.

Source

Also, complaints related to non-adherence to the Banking Codes and Standards Board of India (BCSBI) and fair practices codes rose to 33.9 per cent, against 29.2 per cent in 2014-15 and 26.6 per cent in 2013-14.

Back

EPFO gives nod to hike stock investment limit to 15% - The Hindu – 28th May, 2017

The Employees Provident Fund Organisation has approved hike in investment limit in exchange traded funds (ETFs) to 15 per cent, from the existing 10 per cent, according to Union Labour Minister Bandaru Dattatreya.

The decision was taken during the meeting of the Central Board of Trustees (CBT) here on Saturday.

"Seeing the rate of return during the meeting of the CBT, we have increased the investment into ETFs to 15 per cent, from the existing 10 per cent," said Dattatreya, who was in the city to chair the CBT meeting.

He said the government in 2015 had taken a decision to invest in ETFs and 5 per cent was invested then.
In 2016, the investment was raised to 10 per cent.

"First year, we had invested Rs. 6,577 crore and in the second year, the investment was Rs. 14,982 crore. Now, the total investment as on April 2017 is Rs. 22,858.69 crore. I am happy to inform you that the rate of return on our investment in ETF is 13.72 per cent," said the minister while addressing the media.

He said Rs. 234.86 crore have been earned as a dividend with this pattern of investment.

Asked how the EPFO will distribute the gains to its subscribers, Labour Secretary M Sathiyavathy said, "The money which is being invested is in the Sensex, the Nifty and central public sector ETFs. These are the three ETF where we are allowed to invest."

She added: "Now, we need to frame an exit policy. Once we get revenue out of it or an income, that will be deposited and the money will be given to the members."

This exit policy, the secretary said, was discussed today and the members sought some clarification. So, the EPFO intends to make one more presentation at the next CBT meeting.

Source

"We had requested IIM Bangalore to do a study on this and give us the options. They have given us the options and we presented it before the members today [Saturday]," she said, adding that the members want some more time to examine them. "We will be bringing the exit policy at the next CBT meeting to take a final call."

Back

EPFO: Provident fund contribution to stay at 12 per cent – The Financial Express – 28th May, 2017

The Central Board of Trustees (CBT), the highest decision-making body of the employees' provident fund organisation (EPFO), on Saturday rejected the government's proposal of pruning employers' contribution to the employees' provident fund (EPF) to 10% from 12% at present, even as it gave the retirement fund body its go-ahead for enhancing its exposure to the stock market to 15% of the incremental deposits from 10% now. Sources present in the CBT meeting said the proposal of reducing employers' contribution saw vehement protests from the states, as well as workers' and employers' representatives, leaving the Centre with no option but to withdraw the proposal.

Under the present law, it is mandatory for units employing 20 or more persons and earning up to Rs 15,000 a month to provide EPF benefits to workers. While employees contribute 12% of the basic pay to EPF, the employer contributes 8.33% towards the employee's pension scheme and 3.67% to the EPF itself. Employees also make matching 12% contribution. Additionally, employers also pay 0.5% towards EDLI, 0.65% as EPF administrative charges and 0.01% as EDLI handling fee.

The Centre had mooted the idea of pruning contribution to ensure that the take-home pay of employees increases and also to promote formal employment. But the employees', as well as employers' representatives, argued that lowering the contribution is not in the interest of the workers and should be done away with.

"The proposal to lower the employer's contribution was rejected by the states and by the employers' and employees' organisations. As such, the Centre has dropped the proposal," CITU president AK Padmanabhan told FE. BMS general secretary Brijsh Upadhyay also said the proposal was opposed by all as a "direct attack on the workers' rights".

The other proposal, increasing EPFO's equity exposure in the stock market, has been approved, Padmanabhan said, adding that CITU had, however, objected to the proposal. Though there were no representatives present, AITUC also sent its letter of resentment.

Breaking away from its past practice of investing subscribers' deposits mainly in government securities and corporate bonds, the EPFO has since 2015-16 started investing in exchange traded funds (ETFs) to diversify its portfolio and optimise returns. As per the investment pattern notified in 2015, the EPFO can invest up to 15% of its incremental deposits, estimated at Rs 1.4 lakh crore per annum, in the stock market.

In the first two years, it has invested around Rs 19,000 crore, through exchange traded funds (ETFs), which has yielded a little over 12% returns. The EPFO is keen on increasing its investments in the equity market since returns from such investments are better than the traditional investments in government securities. with the current bull run in the stock market, the returns are expected to be better in the current fiscal.

Source

The EPFO is under tremendous pressure to maximise returns from its investments. Depending on its return on investments, the EPFO pays its subscribers interest on their deposits. Sensing that it would be left with only a meagre surplus amount, the retirement fund body pruned the interest rate on provident fund deposits for its subscribers to 8.65 % for 2016-17, the lowest in four years.

Back

Life Insurance

Enrol for PM's insurance schemes on June 1 to get full benefit: Here's what they cover – The Economic Times – 30th May, 2017

Many individuals would have recently received the SMS message saying - "Dear customer, your PM Jeevan Jyoti Bima Yojana or Suraksha Bima Yojana will be renewed on 1 June".

For the insurance linked social security schemes that the government had announced in the 2015 Budget, the renewal date for the Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is falling on June 1.

For those who wish to join the schemes now may still do so. On may join or renew the scheme anytime during the year by paying the full premium and not the proportionate amount. However, the renewal date will remain June 1 for all of the subscribers.

Therefore, it's better to join now and get the cover for the entire 12 months. If you had exited the scheme at any point, you may still re-join the scheme by paying the annual premium.

For the existing subscribers of both the schemes, no fresh mandate is required. They would have started getting the message from their bankers intimating them of the renewal date. No fresh approval needs to be given as the mandate for auto-renewal is already a part of the application form when someone applies for the first time. The authorisation from the subscriber to the banker is to renew the scheme every successive year through auto-debit. Let's see what the two schemes cover, how they work and how to enrol in them?

PRADHAN MANTRI JEEVAN JYOTI BIMA YOJANA (PMJJBY)

PMJJBY is a one-year life insurance scheme, renewable from year to year, offering coverage for death due to any reason and is available to people in the age group of 18 to 50 years (life cover up to age 55) having a savings bank account who give their consent to join and enable auto-debit. The cover is for a one-year period, starting June 1 to May 31. As on May 8, 2017, nearly 3.11 crore people had enrolled under PMSBY, and the total number of claims received till date were nearly 65,083.

Under PMJJBY scheme, life cover of Rs. 2 lakhs is available at a premium of Rs.330 per annum per member and is renewable every year. In the case of a joint account, all holders of the said account can join the scheme provided they meet its eligibility criteria and pay the premium at the rate of Rs.330 per person per annum.

This is how the break-up of the premium works - a. Insurance Premium to LIC or other insurance company: Rs.289 per annum per member; b. Reimbursement of expenses to agent/bank: Rs.30 per annum per member; c. Reimbursement of administrative expenses to the participating bank: Rs.11 per annum per member.

For the cover period 1st June 2017 to 31st May 2018, subscribers are required to enrol and give their auto-debit consent by 31st May 2017. Those joining subsequently would be able to do so with payment of full annual premium for prospective cover.

Waiting period for claims

Risk cover under PMJJBY is applicable only after the first 45 days of enrolment. In other words, insurers do not have to settle claims during the first 45 days from the date of enrolment. However, deaths due to accidents will be exempt from the lien clause and will still be paid.

Enrolment

PMJJBY is administered through LIC and other Indian private life insurance companies. One may also approach their bankers as for the process of enrolment banks have tied up with insurance companies. In a case of multiple bank accounts held by an individual in one or different banks, the person would be eligible to join the scheme through one bank account only.

The enrolment process has been kept simple and easy. To enrol, you can download the form from http://www.jansuraksha.gov.in/Files/PMJJBY/English/ApplicationForm.pdf#zoom=250 , and submit it to your banker. Some banks have initiated an SMS-based enrolment process too. It can be done through net banking also.

PRADHAN MANTRI SURAKSHA BIMA YOJANA

PMSBY is one of the three social security schemes under which the risk coverage available is Rs 2 lakh for accidental death and permanent total disability and Rs 1 lakh for permanent partial disability. Natural calamities being in the nature of accidents, any death/disability (as defined under PMSBY) resulting from such natural calamities (such as an earthquake, flood) is also covered under PMSBY.

PMSBY, when launched initially, was for the cover period from June 1, 2015, to May 31, 2016, the subscribers were expected to enrol and give their auto debit option by May 31, 2015, which was extended up to May 31, 2016. As on May 8, 2017, nearly 10.01 crore people had enrolled under PMSBY, and the total number of claims received till date were nearly 13,295.

For those who wish to join the scheme now may still do so. On may join or renew the scheme anytime during the year by paying the full premium and not the proportionate amount. However, the renewal date will remain June 1 for all of the subscribers.

As per the rules, "Delayed renewal subsequent to this date may be possible on payment of full annual premium, subject to conditions that may be laid down." Therefore, better to join now and get the cover for the entire 12 months. If you had exited the scheme at any point, you may still re-join the scheme by paying the annual premium. Contours of PMSBY

All individual (single or joint) bank account holders in the 18-70 year age group are eligible to join PMSBY. The premium payable is Rs 12 per annum per member and will be deducted from the bank account through an 'auto debit' facility in one instalment on or before June 1 every year. The annual renewal date, therefore, will be June 1 in subsequent years. The cover is for a one-year period, starting June 1 to May 31.

Enrolment

The enrolment process has been kept simple and easy. To enrol, you can download the form from http://www.jansuraksha.gov.in/Forms-PMSBY.aspx , and submit it to your banker. Some banks have initiated an SMS-based enrolment process too. It can be done through net banking also.

Conclusion

Most financial planners suggest having a life cover of at least ten times of one's annual net income. The coverage in these two schemes could be insufficient for several individuals especially those in urban areas.

But, if you think such social security schemes are only for rural residents, think again. Nearly half of the total subscribers to the three social schemes - Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) are from urban areas in the country.

Source

As per the figures on http://www.jansuraksha.gov.in , nearly 6.5 crore urbanites out of a total of about 13.58 crore have enrolled to these schemes. More urban population (1.57 crore) have enrolled for PMJJBY than rural counterparts (1.54 crore)!

Back

The simple insurance plan that is complex – Mint – 29th May, 2017

Insurance Regulatory and Development Authority of India (Irdai) has taken many steps to increase the distribution footprint of insurance products in India. And in order to get more feet on the street, the regulator has allowed the industry to make use of point of sales persons (PoSPs).

PoSPs are at the bottom of the pecking order of insurance distributors. Their qualification criteria are low, which makes it easy to hire them. In the life insurance space, Irdai has allowed PoSPs to sell simple products such as: term policies, guaranteed endowment and money back plans and annuities.

But simple and easy to understand plans should not be limited to PoSPs alone. With the industry going for open architecture, where distributors can sell products of more than one insurer, it is important to have basic products. This makes the job of understanding, explaining and comparing much easier. So, what makes for a simple, easy to understand life insurance policy? We asked a few experts from the industry and financial planners for their views.

Easy to understand

It wouldn't be simple if it's not easy to understand. According to experts, a simple product is one where it is easy to know how much do you invest and what returns you get on it. "To say that you pay X amount and get Y amount is not enough...unless you mention the return on investment, a simple savings or investment product is not complete. A fixed deposit, that way, is a simple over the counter savings product," said P. Nandagopal, founder and chief executive officer, OpenWorld Insurance Broking Ltd. There are primarily three kinds of bundled insurance products. First, guaranteed insurance plans, which guarantee the benefits upfront. Think of them like recurring deposits with a crust of life insurance. Second, participating products where a minimum amount—the sum assured—is guaranteed but the actual return from the plan is pegged to the performance of the participating fund. The third are unit-linked insurance plans (Ulips), which are a market-linked product: think of them like a mutual fund with an insurance cover wrapped around it.

Among these investment products, Irdai has allowed PoSPs to sell guaranteed products, as the benefits are mentioned upfront. But according to Priya Sunder, director, PeakAlpha Investment Services Pvt. Ltd, that doesn't make the cut. "An easy to understand product should offer comparison, at the very least, just like the fixed

deposits. But guaranteed insurance plans don't lend themselves to comparison because they don't have a uniform structure," she said.

Design

And this brings us to the next important feature of an easy to understand life insurance plan: its design. For example, what do you make of a policy that guarantees 396% of the sum assured (and not of the premiums paid) on maturity? The figure of 396% certainly looks good. But what if we tell you the net return on this product (return on premiums paid) would be only 4%?

For a policy to be understood, the design needs to be simple. "When guaranteed returns are defined as a percentage of the sum assured, it confuses the customer because it complicates the give and get. This should be expressed as an annualised return comparable with other investment options," added Kapil Mehta, managing director, SecureNow Insurance Broker Pvt. Ltd.

Exits

But understanding shouldn't be confined to benefits alone. You need to be able to understand easily the consequences of exiting a life insurance policy midway. "In traditional policies, the surrender costs are based on a formula or periodically announced scales. These are difficult for lay persons to understand," said Mehta. "Surrender penalties need to be simple and reasonable. As in the case of Ulips, where the penalties are mentioned in rupee terms and caps are known," he added.

What makes the cut?

As per Gajendra Kothari, managing director and chief executive officer, Etica Wealth Management Pvt. Ltd, term plans are simple to understand products: "All you need to understand is the amount you pay every year for the sum assured you choose. If policyholder dies during the policy term, the beneficiary gets the sum assured, and if he survives, he gets nothing. A term policy is also the cheapest form of life insurance, limiting the scope of a missell. As you only pay for the cost of insurance, you can also move from one insurer to another."

The same, however, can't be said for bundled plans, which are way more expensive as they also carry the investment component. "In the case of bundled plans, premiums are much higher. So, if you are mis-sold a product and you want to exit, the surrender costs can seriously destroy value for you," added Kothari.

Source

The industry is increasing its distribution footprint to get more insurance sold to the customers. An equal emphasis therefore should be given to simplifying insurance policies. For now, other than term plans that have all the attributes of an easy to understand plan, other policies don't make the cut.

Back

General Insurance

India: Govt makes last-mile reach to expand crop insurance – AIR – eDaily – 1st June, 2017

The government has decided to tap 175,000 Common Service Centres (CSC) and post offices across the country to encourage more non-loanee farmers to take up crop insurance schemes, including the government-backed Pradhan Mantri Fasal Bima Yojana (PMFBY).

The plan is to implement the distribution scheme in the crop year beginning next month, reported The Press Trust of India.

At present, it is mandatory for loanee farmers to take up the crop insurance policy. However, the government wants both loanee and non-loanee to take advantage of PMFBY as well as weather-based crop insurance schemes. CSCs, set up under the Ministry of Electronics and Information Technology, currently are being utilised for booking railway tickets, providing personal identification numbers and passport applications.

"The proportion of non-loanee farmers who have taken up the crop insurance policy at present is only 22%. We want to achieve 40 -50%. We have decided to use multiple platforms to reach out to them," a senior government official said.
The existing platforms — banks, insurance companies and cooperatives — are not sufficient for the last mile connectivity to non-loanee farmers, he said. Banks are not that keen to sell crop insurance policies to non-loanee farmers, while insurance companies and cooperatives have limited reach in villages.

Insurance regulator IRDAI has already given permission to agents and intermediaries to access the CSC portal for crop insurance. This is being tested at present, he said.

The government has empanelled 13 insurance companies for the crop year starting in July to sell crop insurance policies.

The PMFBY, launched in 2015, has boosted the premium revenue of insurers that offer it. The general insurance industry is expecting total premium income from the scheme to reach INR230 billion (US$3.6 billion) for the fiscal year ending (FYE) March 2018. In FYE 2016, the premiums from PMFBY stood at INR57 billion but rose in FYE2017 to INR215 billion. Premium payments under the scheme are contributed by farmers and the central and state governments.

Source

Back

ECGC wants to be out of IRDAI purview – The Times of India – 2nd June, 2017

The Export Credit Guarantee Corporation of India (ECGC) has said that bringing the corporation outside the purview of the Insurance Regulatory and Development Authority of India (IRDAI) would enhance its potential to support Indian exports.

ECGC, which has a paidup capital of Rs 1,500 crore, has also asked the government to increase the capital base to Rs 5,000 crore in the next couple of years. The corporation has an ambitious target of covering exporters worth Rs 4 lakh crore, up from Rs 2.65 lakh crore at present. According to the corporation's chairman Geetha Muralidhar, export credit insurance companies worldwide are promoted by government to push exports. "In all other countries, the export credit corporations are not regula ted by the insurance regulator," said Muralidhar. She added that freeing ECGC from insurance regulation would enable it to provide more co verage for exporters.

ECGC was established as Export Risk Insurance Corporation in 1957 and renamed in 1960. In 2002, ECGC was registered as an insurance company with the IRDAI.

While ECGC provides cover on a commercial basis to all exporters, it also operates the National Export Insurance Account Trust on behalf of the government.

Source

ECGC, which provides financial protection for exporters, has slashed premium rates by 17%. The reduction is part of its support to exports and would help offset some negatives such as currency appreciation.

Back

Fire insurance likely to come to the rescue of Chennai Silks – The Hindu – 1st June, 2017

Though one of its flagship stores was destroyed in fire and losses are being assessed, Chennai Silks' fire insurance cover is expected to help recoup a significant portion of the losses, according to the company's insurer.

"Chennai Silks is reported to have taken insurance cover to the tune of 40 crore for the property that went up in flames after a fire broke out on Wednesday morning," according to a senior official of New India Assurance Company, with which Chennai Silks has insured its Chennai store and other shops.

Norms violation charge

The seven-storey textile-cum-jewellery showroom, located in the busy commercial hub of the city, T Nagar, was also facing charges over alleged violation of building norms.

This is will be the first big claim of Chennai Silks for losses due to fire in the property.

It had earlier claimed loss of 1.5 crore for damage to its property in Trichy some years ago.

"The claim process will take six months to one year for such big claims as various parameters have to be assessed before arriving at the final settlement," said the official.

Stress on insurance cover

"Nowadays, insurance companies educate the people on property insurance and make sure that commercial establishments take adequate cover against fire and other disasters. Banks also encourage customers who take large loans to get adequate property insurance cover," he added.

The Chennai Silks was founded in 1962 in Tirupur by Kuzhandhaivelu Mudaliar. It has 15 showrooms across South India.

Source

The group's showrooms witness a footfall average of about 20,000 daily during festivals like Diwali, Pongal and Aadi sales.

They also run the jewellery outlet Shri Kumaran Thanga Maligai, attached to the textile showrooms.

Back

India: New nonlife insurer to open for business soon – AIR – eDaily – 2nd June, 2017

DHFL General Insurance has received a certificate of registration from the IRDAI and will start its business operations soon.

The venture is founded by the investment company, Wadhawan Global Capital (WGC), whose flagship brand is Dewan Housing Finance (DHFL), a listed entity.

Mr Kapil Wadhawan, Chairman of WGC and DHFL General Insurance, said that WGC businesses have established a leadership presence across financial services that range from home loans, project finance, SME lending, education loans, mutual funds, and asset management to life insurance, reported Moneycontrol.

Source

"Our general insurance venture would help us in our commitment to offer protection and mitigate the economic effects of illness, accidents, death, disability and disasters," he said.

DHFL General Insurance, which is a 100% owned subsidiary of WGC, was incorporated on 5 July 2016. It is the 31st nonlife insurer in the country.

Back

India: Individuals spearhead proposed new insurance ventures – AIR – eDaily – 30th May, 2017

India's general insurance industry is attracting interest from individuals who want to start operations in the field. The IRDAI has received applications from three individuals who are backed by large funds seeking to operate general insurance companies: Oben General Insurance by Kamesh Goyal, Acko General Insurance by Varun Dua and Aspire Health Insurance by Rajesh Relan, reported The Economic Times.

Previously, individuals have received permits to offer financial services. The Reserve Bank of India granted payment bank licences to Vijay Shekhar Sharma, founder of Paytm, and Dilip Shanghvi, founder of Sun Pharma, in their individual capacity in August 2015. Earlier, RBI had awarded licence to Ashok Kapur and Rana Kapoor to set up Yes Bank which has grown and is profitable.

"The regulators are encouraged by the performance of technocrats showing fantastic performance in sectors such as banking and the new licences given for payment banks," said Mr Relan. "With the availability of venture capital that is coming to financial services, professionals in the insurance sector are also getting encouraged to quit their jobs and start new ventures."

Mr Relan, a former MD of PNB MetLife, wants to start a health insurance company with private equity firm, Arth Capital. The company, to be called Aspire Health Insurance, will sell products through multiple channels, with a focus on online business.

Acko General Insurance started by Mr Dua, cofounder of Coverfox, which is backed by NR Narayana Murthy's Catamaran and other domestic, foreign venture capital and family offices, sees the foreign direct investment ceiling of 49% as a constraint on the industry.

Source

"Relatively, there is a lot more global capital wanting to enter the sector, but the 49% limit poses a constraint," he said.

The lack of capital is one of the major reasons deterring individuals from setting up an insurance company. An insurance company needs an initial capital of at least INR1 billion (US$15.5 million) to be formed.

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Vodafone India unveils complimentary smartphone insurance scheme for Red Shield customers – The Economic Times – 29th May, 2017

KOLKATA: Vodafone India has introduced `Vodafone Red Shield', a device security solution with complimentary insurance for smartphones that assures a protection cover of upto Rs 50,000 on new handsets and those upto six months old.

At present, the complimentary smartphone insurance offer is only available to Vodafone Red postpaid customers with one year validity.

In addition to theft cover, Vodafone Red Shield comes with malware protection and other security features. The Red Shield app is available at Google Store and iOS.

Vodafone's Red Shield offer is being to customers through an association with Shotformats Digital Productions Pvt Ltd and the insurance cover is being provided through New India Assurance Co Ltd," the No 2 carrier said in an official statement.

"Smartphones have become a way of life and to ensure hard earned money spent by our customers on acquiring expensive handsets remains insured, we've launched this first of its kind mobile security offering that builds in a unique combination of features like theft protection, accidental physical & liquid damage, virus protection and many more security features," Arvinder Singh Sachdev, Business Head- Kolkata & Rest of Bengal, Vodafone India said.

Source

While the premium will be borne by Vodafone, the subscription fee has been maintained at a pocket-friendly pricepoint so that maximum number of customers can avail of the benefits of Red Shield offer.
"The annual subscription of Rs 720 will be debited to the customer's monthly bill through 12 equal installments of Rs 60 each.

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Health Insurance

What happens to your sum insured when you claim health insurance – Mint – 1st June, 2017

You need health insurance to protect you from expensive medical bills, should an ailment or mishap befall you. A claim on your policy means your insurer ends up paying your medical and hospitalization bills for you. Therefore, to encourage you to maintain a healthy lifestyle—so your visits to hospitals are minimal—insurers give you a no-claim bonus for every year you don't make a claim on your policy. This bonus typically bumps up your sum insured every year. But do you know what happens if you do make a claim? Read on to find out.

No-claim bonus

Typically, health insurance policies are annual contracts. This means, you renew your policy every year. And for every no-claim year—the year in which you do not make a claim on your health insurance—the insurer rewards you with a no-claim bonus when you renew the policy.

So, on renewal the insurer usually bumps up your sum insured by a fixed percentage. For instance, many policies bump up the sum insured by 10%, every year, of the base sum insured, up to a maximum of 50%. So, if you started with a sum insured of Rs1 lakh, in five no-claim years your sum insured could be bumped up to Rs1.50 lakh. The insurer does not charge you for the extra Rs50,000, as that's the bonus sum insured. But, you may still end up paying a higher premium as you grow older. Some insurers offer to double the sum insured through a 50% bump-up for every no-claim year. While no-claim bonuses help—they provide some cushion against medical inflation—that does not mean you don't buy adequate health insurance. That's because, when you do make a claim on your policy, it impacts your bonus sum insured.

What happens when you make a claim

Although the rules have improved to make sure you don't forfeit the entire bonus on making a claim, it can still be a serious setback.

According to the new rules, if a claim is made in any particular year, the cumulative bonus accrued may be reduced at the same rate at which it accrued.

In the example above, suppose a person bought the policy for a sum insured of Rs1 lakh and did not make a claim for 5 years. Then, at a 10% bump up rate the cumulative sum insured would come to Rs1.5 lakh. Now, what if in the sixth year the policyholder makes a claim. So, when she next goes to renew her policy, her sum insured will reduce by 10% of the base sum insured, and would now be Rs1.4 lakh.

If she makes another claim, then the sum insured would reduce to Rs1.30 lakh. Likewise, a bump-up at the rate of 50% every no-claim year means a bump down by 50% for a claim year.

Source

The thing to keep in mind is that if you don't make a claim in the next year, you will again get a bonus. That is, for a claim-free year after you make a claim, you will again be entitled to a bonus.

Also, the insurer can only reduce the bonus amount for making a claim, and not the base sum insured. In other words, the base sum insured—Rs1 lakh in our case above—is not impacted at all.

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Pension

New features to simplify pension system operation – The Economic Times – 1st June, 2017

In a bid to simplify and improve the operational issues in the National Pension System (NPS), the Pension Fund Regulatory and Development Authority (PFRDA) on Thursday said it has introduced new functionalities in the scheme.

Under the new features under eNPS, a bilingual version of eNPS module has been developed for the convenience of NPS subscribers.

"The subscriber shall have option to choose the desired language option (either English or Hindi) for registration and/or contribution through eNPS," PFRDA said here in a statement.

In case of registration through Aadhaar, it was mandatory for subscribers to submit physical application form within 90 days of completion of registration under eNPS.

"eSign facility (Aadhaar e-KYC services) has been integrated with eNPS platform to enable the subscriber to sign his/her Permanent Retirement Account Number (PRAN) application electronically. This process has eliminated the requirement of submission of physical documents to Central Recordkeeping Agency (CRA)," it said.

The subscriber can now initiate tier II account withdrawal under NPS using a mobile app. The subscriber will log into the app with their user ID and password.

The user can also link his/her Aadhaar to the NPS account using the mobile app.

In the case of the Atal Pension Yojana (APY), the facility to download and/or print ePRAN Card and transaction statement has been made available to APY subscribers.

Source

For grievances, an email/SMS alert is sent to APY subscribers on generation and resolution of a grievance in the CRA system.

In order to facilitate quick Foreign Account Tax Compliance Act (FATCA) compliance, a facility to submit online FATCA self-declaration has been provided to the subscriber in their CRA login.

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Circulars

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The Insurance Ombudsman Rules,2017 - Notification dated 31st May, 2017

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Withdrawal of Circular No.IRDA/DIST/BRK/CIR/205/10/2013 – Circular Ref: IRDA/BRK/MISC/CIR/120/05/2017 dated 1st June, 2017

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Global

China: Cybersecurity law looks to proceed despite concerns – AIR – Asia Risk – 31st May, 2017

China looks to implement its controversial cybersecurity law come 1 June despite concerns from foreign firms worried about its impact on their ability to do business in the world's second largest economy, reported AFP.

Passed last November, the law is largely aimed at protecting China's networks and private user information, but was met with dismay by companies, amid concerns about unclear provisions.

Uncertainty that law would be passed

In the past couple of weeks, whether the government would proceed with the law still seemed up in the air. Just on 19 May, the Cybersecurity Administration of China (CAC) called for a meeting with some hundred corporate representatives and industry associations to discuss implementation rules around the transfer of personal data overseas and a possible phase-in period before end 2018, sources who attended the meeting told news agencies.

The last version had also removed a contentious requirement for companies to store customers' personal data in China, reported AFP, which said it obtained a copy of the document.

One participant told AFP that the regulator seemed unprepared to enforce the law and it is "very unlikely" that anything will happen on 1 June.

This impression was strengthened when authorities issued draft documents describing national standards on topics from cloud computing to financial data a few days after the meeting, noting they would be available for public comment until 7 July. In addition new drafts, addressing issues such as on cross-border data transfers, were published over the weekend.

Protecting 'national honour

China already has some of the world's tightest controls over web content, with locals unable to access certain websites due to "The Great Firewall"--which did not, however, protect some universities and petrol stations from the recent global ransomware attacks

The legislation also bans internet users from publishing a wide variety of information, including anything that damages "national honour", "disturbs economic or social order" or is aimed at "overthrowing the socialist system".

Companies concerned about operations

Companies are worried that the new law could lock them out of the market. Paul Triolo, a cybersecurity expert at the Eurasia Group, wrote in a research note that regulators will likely introduce "new hurdles for foreign company compliance and operations" in industries, such as cloud computing, where China is actively seeking a *competitive advantage, reported AFP. This means that firms wiith politically well-connected competitors could see their profile raised for things such as cybersecurity reviews".*

The European Union Chamber of Commerce, among other groups, has written to the Chinese administration saying to delay implementation as the law is still flawed.

Source

Currently, although there is no indication the law itself will be pushed back, the draft rules distributed at the CAC meeting says companies will have until December 31, 2018 to implement some of its requirements, noted the AFP report.

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