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QUOTE OF THE WEEK

“The difference between winning and losing is most often not quitting.“

Walt Disney

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Roadside assistance cover

The provision of Roadside assistance (RSA) as an add-on cover to the motor insurance policy offers much-needed relief to a car/bike owner if the vehicle breaks down.

Policyholders can opt for this cover by paying additional premium along with the base policy. Though the scope of RSA cover varies, some key coverage features are common among the insurance companies. This includes offers such as battery breakdown, flat tyre, minor repairs, towing services and fuel provision. Some insurance companies such as ICICI Lombard and HDFC Ergo offer services such as spare keys, accommodation arrangement and alternative transport arrangement.

However, note that though RSA provides coverage for various services, cost of some will have to be borne by you. For instance, if you run out of fuel, the insurance company will bring some over but you have to pay for the fuel. Similarly, insurers could arrange for an alternative vehicle, but again you may have to pay for it. On the other hand, services such as towing, flat tyre and minor repairs are taken care of by the insurer.

There is also a limit on the number of times you can utilise particular features in the RSA scheme.

Source

INSURANCE INDUSTRY

Making insurance bite-size, simple and affordable – The Hindu Business Line – 30th April 2019

Digital start-up Toffee Insurance offers bundled policies that cover bicycles to backpack

Mention the word toffee and it will bring back childhood memories of having had plenty of them. Bite-sized toffees, are a source of joy for children. Even those who do not know English, can relate to the word. But what does that have to do with selling insurance? Especially naming a company that sells insurance products digitally as Toffee Insurance? Ask Rohan Kumar if it does not convey something flippant, when selling insurance is a serious business? He says toffee is something everybody will be able to relate to, even in small villages and even if they cannot speak English.

Rohan says he and his Co-founder, Nishant Jain, settled on the name Toffee for their venture because they were trying to offer bite-size insurance policies, tailored for those in the 25-35 years age group removing the complexities associated with getting an insurance policy.

Pact with leading insurers

"We are not a full stack insurance company, but we position ourselves as a pseudo insurance company, which means that for a customer, I am an insurance company. The products that I create are deconstructed features from multiple insurance partners," says Rohan. Toffee has tied up with eight insurance companies, including Apollo Munich, HDFC Ergo, Future Generali, ICICI Prudential, Tata AIG and Religare.

Rohan hit upon the idea of Toffee while he was working with Nishant, who was running a consulting business that advised clients on product and design strategy. "Working with Apollo Munich and a few other insurance players in the US is where we came up with the idea of doing Toffee, which was how do you take insurance from this lethargic, old, elephant and make it young. Make it simplistic, relevant and affordable for the masses," says Rohan.

"We said the first thing we have to do is to decouple these comprehensive products and make them simple enough for people to understand," says Rohan.

The idea was to pull out independent features from various insurance products and bundle them and see if it made sense for customers. For instance, Toffee has a bicycle insurance product, which covers three aspects – theft of the bicycle, damage to it and personal accident cover for the cyclist. "We have theft and damage from one underwriting partner and personal accident cover by another underwriting partner. When you get the product, it is called bicycle insurance, but at the back of the insurance, you have two documents," explains Rohan.

Similar to the bicycle insurance product, Toffee has other products including for spectacles, dengue and other vector borne diseases, backpack insurance, and domestic and overseas travel.

Adopting novel method

They also positioned the product to make it attractive for customers to buy. They had to price it right. The most important layer to their business was in distribution. Rather than directly go and sell these products, Toffee adopted a novel method. It tied up with bicycle retailers, pharmacists, opticians and the like. The insurance premium would also not be more than 5-6 per cent of the cost of the product. For instance, if a bicycle cost Rs. 10,000, the premium on it would be Rs. 500-600. For the channel partners, selling the insurance was easy as it did not entail explaining complicated policy issues and they also got additional income. Toffee gets its income through a commission for being an agent to sell the policies.

The whole thing is digitally done and claims are processed extremely fast. In the last one year of being in business, says Rohan, Toffee has approved 98 per cent of the claims. The company is present in 120 cities, has about 1,500 merchants that sells its products in the offline space and digital partners to sell them online. It has done about 75,000 policies in the first year, which number should go up to at least 3.5 lakh policies in 2020. The average ticket size continues to be around Rs. 500 a policy, with Toffee ensuring that the premium stays in the Rs. 700-800 range.

With more policies being sold and more data becoming available, Toffee will be in a position to price the policies depending on the risk profile of the customers. To prevent fraud in insurance claims, the company will ask all those making a claim to record a short video narrating the incident, which it will use to detect frauds. "I have tied up with an Israeli facial recognition software company. When you make that claim, I will take snapshots out of that video, send it through that software and the software will come back to me with several parameters saying whether one is a criminal or not," says Rohan.

As the company expands its product range and covers more cities, it will look to raise Rs. 40-55 crore ($6-8 million) in the next round of funding. The money will be needed to build the infrastructure to support more merchant partners.

(The writer is N Ramakrishnan.)

Source

TOP

Digitization picks up the pace in insurance – Businessworld – 27th April 2019

Digitization has already brought up substantial transformation in many industries; however, similar transformations have also been seen in the Insurance Industry since the past few years. Though this kind of transformation has arrived a little late but yet it has to exploit the full potential of digital technologies. The inclusion of digitization into the insurance process has brought a number of valuable changes such as improved customer experience, value creation of the industry, seamless business processes handling, risk handling along with the introduction of unique plans and addition of new features in the existing plans.

Due to the digitization, there are several recent advances in the Insurance Industry that have increased and developed an extreme interest among individuals across India to invest in various Insurance Policies. Adding to this, the Government's mission of insuring the uninsured and proliferation of different insurance schemes has gradually pushed insurance penetration in the country.

According to the Indian Brand Equity Federation (IBEF), it is expected that the Indian Insurance Industry will grow up to $280 billion by FY-2020, driven by the launch of new and innovative products, increasing awareness and comparatively more distribution channels.

In 2017, the overall insurance penetration in India reached up to 3.69%, higher than the 2.71% penetration ratio back in 2001. This small number does go on to reflect the breadth and depth of opportunities that are still available to online platforms like Probus Insurance, which utilize new and non-traditional means of reaching clients remotely. Also, in FY19 (up to October 2018), premium from new life insurance business increased 3.66% year-on-year to Rs 1.09 lakh crore. In FY19 (up to October 2018), gross direct premiums of non-life insurers reached Rs 962.05 lakh crore, showing a year-on-year growth rate of 12.40% which again is a motivating factor to adapt to digital change.

Digitization has changed over the traditional approach of an agent-driven model to a more seamless and effective transformation that ensured utmost customer satisfaction. It is a win-win situation for both insurers and customers since the customers are enjoying an enhanced experience and the insurers can now leverage low-cost digital distribution channels for both services and sales which will ultimately deepen their market penetration. Also, there are other factors that are accelerating the growth of the Insurance Industry.

Introduction of the Online Insurance Platform
With the insurers going digital with their products and services, the intervention of agents has cut down to a larger extent. Now, if a working person has to buy policy, he or she need not stand in long queues or take out time to meet an agent to buy or renew a policy. This could be now done easily through the various online portal of the insurers or through their company apps that ensures all such processes at just a single click making the process easy and time saving. Moreover, the insurers save on money since they need not pay any agent commission, so again it is a perk to both insurer and customer.

Enhancing customer communication
The introduction of Chatbot which combines Artificial Intelligence (AI) with Machine Learning and Analytics has been a vital part to enhance customer communication. This Chatbot - Digitization of Human Communication ensures 24x7 services and helps you understand a wide range of products.

Easy and quick Claim Settlement
Now it is possible for one to initiate the claims digitally by filling the claim settlement form online, attaching the relevant document and sending it within seconds to your insurer owing to the Digital move.

Bring Down Mis-Selling
Reviews and features of a product help you to understand what you actually need or not and lessens the chances of you being mis-sold. You can even talk to experts or mail your queries for an unbiased opinion through the digital medium.

Digitization can prove to be a game changer for the insurance sector. According to a BCG survey, by the year 2020, there will be a growth in the digital insurance 2,000% from its current state with a total turnover of Rs. 15,000 crore. In addition to this, it is also estimated that in the next coming two-three years, 75% of insurance purchase decisions will be powered by Digital Channels. Insurers need to constantly reinvent themselves and develop a data first mindset to make the most of this rapidly evolving ecosystem.

Also, the rising awareness of the need for protection and retirement planning through the Digital medium will hold up the growth of Indian Insurance. Innovation in the Insurance Industry will fuel the demand for plans and would be a key driver for the Insurance Market.

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Source

INSURANCE REGULATION

IRDAI panel on microinsurance – The Hindu Business Line – 29th April 2019

The Insurance Regulatory and Development Authority of India (IRDAI) has formed a panel to review the existing regulatory framework on microinsurance and recommend measures to increase penetration.

Suresh Mathur, Executive Director, IRDAI, is the chairman of the committee, which will have 13 members. It will suggest product designs with customer-friendly underwriting, including easy premium payment methods.

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Source

LIFE INSURANCE

Life insurance: How much cover do you need? – Financial Express – 29th April 2019

We cannot deny that life insurance is very important. Being under insured or uninsured and then dying would be tragic for family members dependent on you. One of the most important questions is how much life insurance is needed.

There are many types of life insurance products — term plan, Ulips, money back plans and endowment plans. Tax saving insurance instruments are very popular. Usually, people take insurance for Rs 25 lakh, Rs 50 lakh or Rs 1 crore. However, picking a random figure is not the right way to buy life insurance.

Look at dependents

How much life insurance is needed depends on a person's age, how many people are dependent on him/her, how much responsibilities and liabilities he/she has, etc. Suppose a person is aged 18-24 years. He would be unmarried and there wouldn't be any financial liabilities or responsibility. The financial liability would be student loans and in future, his/her parents becoming financially dependent. In this scenario, one would buy a small insurance plan. If the person has a good income, he/she should opt for a larger cover as his/her liabilities will increase when he/she gets married and additional responsibilities would be on his/her shoulders.

If the person is aged 24-33, he/she would be married and there is a need to protect the spouse's interest. Parents would also be starting to get dependent. If the person has not bought life insurance, he/she should not delay any longer. If there is a car or home loan, that should also be taken into account. A term plan with 11-14 times of annual income and outstanding debt should be ideal.

Plan at various stages

If a person is between 34-50 years of age, he/she would probably be married and have children. This is the time when it is really necessary to protect his/her financial future. The ideal insurance would be such that it could cover the family's outstanding loans, its day-to-day expense for the next 15 years, and children's education cost. Generally, life insurance taken earlier would be inadequate so one should top up the existing life cover or take additional life insurance policy.

For those aged 50-60 years, children would be financially independent. The only concern would be fulfilling the regular expense of your spouse in case of your death. Your existing life cover should be sufficient and you should ensure that any future medical expense is taken care of along with any existing loan.

People above 60 years would not have to worry about their children as they would be financially independent. The priority would be to cover the expenses of their spouse for remaining years. So here we can see that the amount of life insurance varies across different stages of one's life.

In a nutshell, your insurance should cover all outstanding loans; provide money to your spouse for the rest of his/her life and enough money to cover your child's education and marriage. To calculate the amount, you should estimate the annual family expense. Also add your outstanding loans. Multiply the amount with the number of years you wish to support your family.

Your life insurance should be big enough at any given time to take care of your present as well future needs of your dependents. Since it's possible to purchase large life insurance coverage at a low premium using term plans, we would recommend that.

(The writer is Aasif Hirani.)

TOP

Source

Life Insurance Guaranteed Annual Payouts: Should you opt for Guaranteed Payouts? – Financial Express – 2nd May 2019

Nowadays, it has become quite difficult to maintain financial stability. Insurance companies have come up with various products to provide financial stability to people. For instance, guaranteed income plans that cater to risk-averse investors, offering life insurance along with maturity benefits and regular guaranteed payouts. These plans provide regular income at a pre-defined percentage of sum assured selected by the policyholder at the time of buying the policy. One can receive the income either yearly, half-yearly, quarterly or monthly.

Recently, IDBI Federal Life Insurance launched a traditional life insurance plan, Young Star Advantage Plan. The plan is designed to help policyholders secure their child's future by ensuring that their future financial needs are fulfilled, in case anything unfortunate happens to the bread-earner of the family. The plan comes with guaranteed annual payouts to help with the essential financial needs in the child's life. The plan pays a lump-sum amount on the death of the policyholder and guaranteed payouts at specific points of the policy term.

At the time of maturity, the guaranteed additions accrue over a period of time and are paid. Based on the duration chosen by the policyholder, the maturity benefits are paid. On the death of the individual, the death benefit is provided to the nominee of the policy. Also, no premium will have to be paid after the death of the policyholder, and the guaranteed annual payouts will be provided at the specific points in the policy term, as agreed upon while buying the policy.

Should you opt for Guaranteed Payouts?

The return benefits of guaranteed annual payouts are payable at the end of every year. The policyholder is provided with a reversionary bonus along with terminal bonus, at the time of maturity. Depending on the policy term that the policyholder chooses at the time of buying the policy, the payout benefits are payable at the end of every year, in the last 3 or 5 years of the policy.

In case of the unfortunate death of the policyholder, the policy holder's family will be provided with the death benefit to fulfill their future financial needs. During premium paying term, as the death benefit, the nominee is paid the basic sum assured along with bonuses if any. The payouts are carried for as long as mentioned in the policy. However, in case of death after the premium paying period, the nominee receives the sum assured and other benefits along with the lump sum of payout left in the insured's account. Additionally, no future premiums need to be paid by the policyholders family, while the policy still continues with all the planned benefits. Guaranteed additions that are accrued to the policy, are paid at the time of maturity. The nominee gets the guaranteed annual payouts and eligible bonuses on the scheduled dates.

Experts, however, suggest that one should keep in mind that generally, long-term guaranteed products offer conservative returns. Before opting for such a plan, factor in inflation with the value of your investment, so that you do not bring home a lower return. Income Tax deduction under Section 80(C) is available every year, and on the maturity proceeds tax exemption under Section 10(10D) is available.

(The writer is Priyadarshini Maji.)

Source

TOP

GENERAL INSURANCE

How Cyberattacks On India Are Making Your Loans And Insurance Premiums More Expensive - indiatimes.com – 2nd May 2019

India faces the second highest number of cyber attacks each year, hitting a whopping 120 crore attempts in 2018. Defending against all of those attacks isn't cheap, neither is the payout for insurance companies when they occur.

According to the Data Security Council of India (DSCI), the average cost of data breaches rose by 8 percent in 2018 compared to the previous year, going all the way up to almost Rs 12 crore. The cost for whom you ask? Well the cost for insurance companies covering cyber attacks and, based on buyers of said insurance, you as well.

For instance, the report cites the attack on the Pune-based Cosmos Bank last year, which cost Rs 94 crore. Financial institutions are some of the most valuable targets for hackers, and therefore have to spend more on cybersecurity and the related insurance. Banks and IT companies, the report indicates, spend the most on cyber insurance, the premiums for which vary between Rs 4.5 lakh to Rs 80 crore a year.

But these banks obviously aren't eating the costs themselves. That means, as cyber insurance gets more expensive, the costs will trickle down to your loans, interests rates, and even the insurance you buy.

Don't Miss

Other buyers of such policies include pharmaceutical companies, retail companies and the hospitality industry. So that means higher prices for you all around too.

It's not just the threat of a hack either, most companies are forced to buy cyber insurance thanks to changing global policies. "Prominent data breach events in the US (the most attacked country) and the Western world, and recently enacted laws such as the European Union's General Data Protection Regulation (GDPR) are driving the uptake of cyber insurance by Indian firms with global exposure," said Anup Dhingra, president of risk management company Marsh India.

That plus the increasing switch over to cloud and mobile operations means greater risks. So be prepared for everything from your medicines to your banking to get pricey all around.

(The writer is Gwyn D'Mello.)

TOP

Source

With PSU insurers merger on hold, confusion prevails – MoneyControl – 2nd May 2019

Nitin Desai, a 56-year old employee of a state-owned general insurer had prepared to take up voluntary retirement once his company merged with other two large insurers. His plan has been put on the dock for almost six months as the merger is now on standby.

"We do not have any clarity. But whenever the process begins, it is a fact that several jobs will be lost," he added.

The government had planned to merge three state-owned general insurance companies -National Insurance, Oriental Insurance and United India Insurance. The merger has been a pet project of the BJP government, and was announced by Finance Minister Arun Jaitley in his February 2018 Budget speech. The idea being the merged entity will subsequently be listed on the stock exchanges.

Sources said that several employees above the age of 50 years have sought clarity from the government on their job positions after the merger.

The total employee strength of the three companies put together is around 42,000, spread over 5,700 offices. It is estimated that with the merger, there could be a 30 percent reduction in the employee count through the use of Voluntary Retirement Scheme (VRS) and other mechanisms.

A senior official at one of the merger candidates said that early intimation by the authorities will help them find suitable alternatives to earn a living.

The idea to merge the three insurers was to create a stronger and larger insurance company that was sustainable in the long run. The other two state-owned entities, New India Assurance and General Insurance Corporation of India are already listed on the exchanges.

On one hand, the modalities of the merger took a long time to finalise, while on the other, individual companies have different conditions placed for the merger. EY has been appointed as the consultant for the merger process. Further, there was also a wait to help each insurer spruce up their minimum capital requirements so that the merged entity was financially healthy.

The unions have also expressed concerns about the merger of the three entities, saying this would lead to retrenchment of staff at the mid and junior levels. Initial estimates suggest that this will be the largest non-life insurance company in India, valued at Rs 1.2-1.5 lakh crore.

After the new government takes over, the terms of the merger would be reconsidered. As at the end of FY18, the three general insurers put together had more than 200 insurance products with a total premium of Rs 45,126 crore and a market share of around 35 percent.

The government had tried to expedite the process. However, initial planning and design took longer than anticipated.

(The writer is M Saraswathy.)

Source

TOP

Demand for cyber risk insurance in India grew by 40% in 2018 – Mint – 28th April 2019

The Global cyber insurance market is expected to grow at a CAGR (compound annual growth rate) of 27% from $4.2 billion in 2017 to $22.8 billion in 2024, claims a new report by Data Security Council of India (DSCI), released at a FINSEC Conclave 2019 for Banking and Financial Sector on April 26.

"Cyber risk, data breaches and its consequent financial liabilities, looms large on the rapidly evolving Digitisation momentum of every sector and business. Cyber insurance is proving to be a key tool in the risk management and cost-offsetting arsenal of an enterprise and at the same time scaling up the prevention and protection measures," said Rama Vedashree, CEO, DSCI in an official press statement.

While the adoption in India is still very limited, the demand for cyber risk insurance is growing. India registered a 40% year-on-year growth from 2017 to 2018, at a time when Indian companies were facing one of the worst ransomware attacks in history, resulting in days of disruption to business operations. About 350 cyber insurance policies have been sold till 2018, claims the report.

Companies in the IT/ITES (Information Technology/Technical Entry Scheme) sector, along with Banking and Financial Services are early adopters of cyber risk insurance. The insured amount for cyber risks ranges from $1 million to $200 million for Indian companies, says the report.

The report also alludes to the Allianz Risk Barometer 2019 study, which highlights that businesses in India consider cyber incidents as top risk.

According to a March report by Sophos, a security services provider, 76% of Indian businesses were hit by cyberattacks in the past year, while a Microsoft and Frost and Sullivan study from December 2018, pegged average financial cost of cyber attacks for Indian companies at $10.4 million.

Most cyber risk insurance plans provide coverage for losses that might occur due to unexpected cyberattacks, but there are some that cover physical damage to hardware too. Some insurance providers also give the option to personalise the plan in line with the company's business security requirements.

While cyber risk insurance can help companies minimise their losses, it is not an alternative to the company's cybersecurity strategy. Cybersecurity experts are of the opinion that the kind of insurance cover a company qualifies for depends on their cybersecurity efforts. Any insurance provider will first evaluate the strength of a company's cybersecurity position before issuing a policy. Stronger effort towards cybersecurity can result in better coverage. Fragmented enterprise security can result in inadequate or poorly targeted insurance cover.

According to a New York Times report from April 2019, after the NotPetya cyber attack on warehouses of Mondelez International (owner of Cadbury chocolates) in 2017 in US, the company reported financial losses of over $100 million. To the company's shock, their insurance provider, Zurich Insurance, rejected their claim, citing the war exclusion clause in the insurance contracts, which protects insurance companies from bearing costs related to war damage.

According to the same NYT news report, several insurance providers in US have tried to use war exemption to avoid claims related to cyberattacks.

However, a Risk and Insurance report claims that the policy in question in the Mondelez case is related to property with a bolted-on cyber element and is not a standalone cyber policy.

(The writer is Abhijit Ahaskar.)

TOP

Source

HEALTH INSURANCE

Self-insurance a viable option for health cover? – Mint – 1st May 2019

Sickness may come unannounced. But it's always good to be financially prepared for an emergency—even a medical one. While most people are covered under their own or spouse's employee medical insurance, many also buy individual health cover. But, is buying medical insurance the only option? What about those who are not eligible for medical cover?

SELF-INSURANCE

The dictionary defines health insurance as insurance taken out to cover the cost of medical care. You have to pay a certain amount as a premium and in case you fall sick and need medical care, the insurer pays the cost, either totally or partially. More often or not, the policy won't cover certain diseases and certain pre-existing diseases for a specific period.

Anant Ladha, founder of Invest Aaj For Kal and research head at Pankajladha.com says, "Usually it is seen that between 25 and 45 years of age, claims are usually very rare." This is usually the case when you are most likely employed. Ladha says, "During this time you are usually covered by your employer's group medical policy."

Keeping these two facts in mind, can a case for self-insurance over buying a separate personal health insurance be made? Ladha continues, "If we can self-insure ourselves during this time and start building a corpus for our health emergencies we can easily insure ourselves and at the same time create wealth."

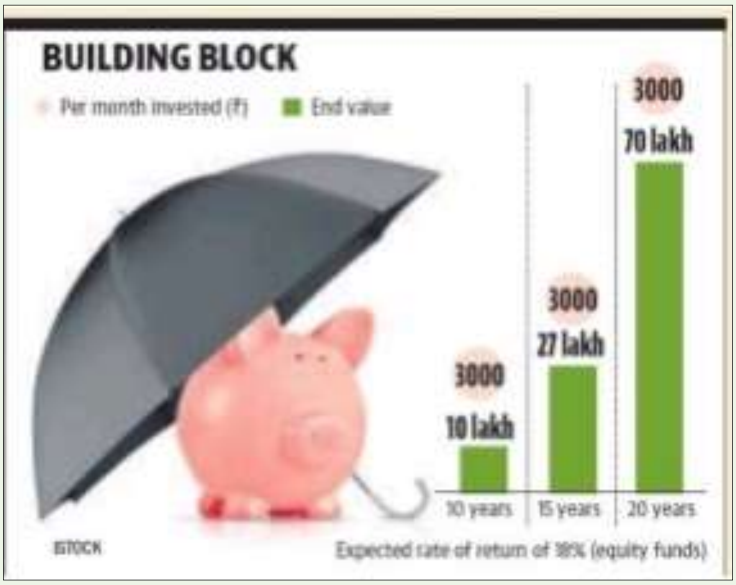
Consider an individual pays a yearly health premium of ₹10 lakh cover. If he decides that considering he is fairly healthy and is already covered by his employer, instead of buying a personal health insurance policy, he would go the self-insurance way. If he invests ₹3,000 per month (SIP) in an equity fund, instead of monthly insurance premiums, and the expected rate of return was of 18% for the equity funds.
Ladha says, " ₹36,000 per year or ₹3,000 per month saved for 10 years makes a corpus of ₹10 lakh and corpus of ₹27 lakh in 15 years and a corpus of ₹70 lakh in 20 years (Seven times of what health insurance we initially opted for)."

WHEN GETTING INSURANCE IS AN ISSUE

In the above example, we saw that self-insurance is an option for people instead of buying health insurance. After all they are healthy and already covered by their employer. Ladha says, "At times people are afraid of health insurance due to details of disclosures and health check-up is required. Or at times they won't be comfortable in disclosing some facts"

When you already have medical issues, many might be actually tempted to lie on insurance forms. Pankaj Mathpal says, "If you have any pre-existing medical complications or you consume alcohol or smoke you should never lie."

What if you don't have an office insurance cover nor is a private insurance company ready to give medical insurance? Mathpal says, "It's not very often that we see that an insurer won't give a cover, they might adjust premium amounts, make some exclusion, but in such a case you can always approach other insurance companies."



In case you find yourself in a place where you got rejected by an insurer owing to an existing ailment and want to go a self-insurance way, your investment strategy won't be equity oriented. Mathpal says, "For someone who is already with medical conditions needs to quickly build a corpus of at least ₹2– ₹5 lakh. This can be done via monthly SIP in liquid funds, short duration funds or even bank RDs." Here the intention is to ensure that the average medical insurance cover amount of ₹2- ₹5 lakh is built via self-insurance and offers good liquidity as well.

Sickness might come unannounced, but it's best to be prepared.

(The writer is Bindisha Sarang.)

Source

TOP

How to boost your health insurance cover at nominal cost – Financial Express – 29th April 2019

In the last one decade, the cost of healthcare in India has increased at a double-digit rate. The regular health insurance cover either provided by your employer or bought by you with a sum insured of Rs 2 to Rs 3 lakh is no more sufficient to meet your future or even current medical expenses. For instance, the cost of dialysis for treatment of kidney related ailments in India is anywhere between Rs 2,000 and Rs 3,000 per session and the amount can easily reach around Rs 25,000 per month. Talking about cancer, the cost of treatment can often go beyond Rs 20 lakh, including surgery and chemo sessions. A person who needs to undergo an angioplasty or an open-heart surgery in order to unclog the arteries, may need to spend Rs 3 lakh to Rs 7 lakh.

In order to bridge this gap, it is important that along with your regular health policy with a significantly higher sum insured, you must also buy a Super Top-up and Restoration Plan that enhances the health cover in a cost-effective manner.

1. Super Top-up Plans

Super Top-up health insurance plan reimburses you the expenses, provided your hospital bills cross a certain deductible limit. Under the plan, you can avail financial relaxation when your hospital bill crosses the total sum insured of the standard policy. For instance, in case you have a top-up plan with a deductible of Rs 5 lakh and an SI (sum insured) of Rs 15 lakh, the top-up plan will only come into force once the combined medical bills in a policy year exceed Rs 5 lakh. Also, it will only reimburse you for the amount exceeding Rs 5 lakh. The 5 lakh needs to be paid from your own pocket or even your standard health insurance policy. A major reason that the insurers consider these plans less risky is that these plans come with a deductible element. One thing that you must know is that under a super top-up plan, multiple claims in a policy year are combined and the reimbursement is only made after the amount exceeds the deductible limit.

Plans Available

Some of the prominent insurers offering super top-up plans at affordable premiums include Religare's Enhance, Apollo Munich's Optima Super, HDFC ERGO's my: health Medisure, ICICI Lombard's Health Booster and Bajaj Allianz's Extra Care Plus. For a 30-year-old man, his wife and two children (family floater), a super top-up plan with an SI of Rs 10 lakh and a deductible of Rs 5 lakh will have a premium of Rs 3,500 – 7,600. However, if you buy a super top-up plan along with the regular health cover with an SI of Rs 3 – 5 lakh, the premium will be significantly lower.

2. Restoration Benefit

Buying a restoration plan along with your base health policy significantly enhances your health insurance cover. Under this plan, the entire SI gets restored in a policy year when it gets exhausted due to hospitalisation and other healthcare expenses. The plan is best for family floater covers, wherein there is a chance that the entire SI may get exhausted due to a serious illness of a single family member. Under such a scenario, the other family members are left without a health insurance cover. This is when the restoration feature comes into play, as the insurer immediately restores the entire SI. The insured does not need to pay an additional premium for the restoration and the feature can be used for any subsequent claims in the given policy year.

Plans Available

Some of the prominent insurers offering restoration plan at affordable premiums include Star Health's Comprehensive, Apollo Munich's Optima Restore, HDFC ERGO's Health Suraksha Gold Regain, Max Bupa's Health Companion, Reliance's Health Gain, CignaTTK's ProHealth, and Aditya Birla's Active Assure Diamond. However, one must know that most health policies restore only upon complete exhaustion of the sum insured. Also, some of the policies do not offer the restoration of SI for the same illness.

(By Amit Chhabra, Head-Health Insurance, Policybazaar.com)

Source

TOP

Money talk: Creating a robust health coverage of Rs 50 lakh - Deccan Chronicle – 29th April 2019

A 2018 report said that medical inflation in India is likely to rise at twice the rate of the inflation rate. So if the inflation rate was five per cent for the year, the cost of healthcare rose 10 per cent. This means that if you had a health insurance cover of Rs 5 lakh last year, it's effectively worth 10 per cent less this year. There is also the implication that in a high, double-digit inflation year, medical inflation will be oppressively high. Should this be of concern to you? . Health insurance is a basic need for every man, woman, and child regardless of their age or income. Anyone may need hospitalisation or suffer from a serious illness that requires prolonged treatment. Therefore, it's necessary to not just have health coverage but also scale up it meaningfully to tackle inflation. This is for your peace of mind. The tax savings are just a useful byproduct.

START WITH BASIC COVERAGE

The key to large health coverage is to first lock in your basic coverage. This coverage can be Rs 5 to Rs 10 lakh if you are in your 20s and 30s. For individuals, this would be easy on the pocket. Assuming you are a 30-year-old male with no tobacco habit, you can avail a cover of `5 lakh with annual premiums ranging from Rs 5,300 upwards.

A cover of Rs 10 lakh for the same person would cost upwards of Rs 7,400 per annum. Note that such a coverage should be separate from your employer-provided health insurance. Such coverage is no doubt useful but may have limitations such as inadequate sum assured and the prospect of losing coverage once your employment ends.

Therefore, one must always own a retail health plan that can be selected as per one's unique needs and can be continued for a lifetime. It’s also important to get this coverage while you're young. As you get older, the premium costs rises as well as your chances of your health risks.

GET A TOP-UP

Now that you have base coverage, you can consider using top-up plans to expand your total coverage. This will protect your finances against even extremely serious health episodes that have the potential to your family's finances.

For example, the treatment of serious, metastasized cancer at private hospitals in India can easily run upwards of Rs 20 lakh. This is where a top-up can substantially extend your coverage without pinching your pockets too hard. Let’s say you had a base cover of Rs 10 lakh and you're seeking to extend the coverage to Rs 50 lakh. You can avail a top-up of Rs 40 lakh. Interestingly, with a deductible of Rs 10 lakh, this additional coverage of Rs 40 lakh will cost you upwards of Rs 8,200 per annum.

HOW A DEDUCTIBLE WORKS

Deductible is what you pay by yourself before your health insurance pays for you.

For example, you have a health insurance policy of Rs 50 lakh with a deductible of Rs 10 lakh. You have a hospitalisation that costs you Rs 25 lakh. Here, the first Rs 10 lakh need to be borne by you — either out of pocket or by your base health covers. The remaining Rs 15 lakh can be borne by your top-up plan.

A super top-up health insurance plan covers your hospital expenses in full over and above the threshold of your normal health insurance plan. Health insurance is a basic need for every man, woman, and child regardless of their age or income.

A 2018 report said that medical inflation in India is likely to rise at twice the rate of the inflation rate. So if the inflation rate was five per cent for the year, the cost of healthcare rose 10 per cent. This means that if you had a health insurance cover of Rs 5 lakh last year, it’s effectively worth 10 per cent less this year. There is also the implication that in a high, double-digit inflation year, medical inflation will be oppressively high. Should this be of concern to you? Absolutely. Health insurance is a basic need for every man, woman, and child regardless of their age or income. Anyone may need hospitalisation or suffer from a serious illness that requires prolonged treatment. Therefore, it’s necessary to not just have health coverage but also scale up it meaningfully to tackle inflation. This is for your peace of mind. The tax savings are just a useful byproduct.

START WITH BASIC COVERAGE

The key to large health coverage is to first lock in your basic coverage. This coverage can be Rs 5 to Rs 10 lakh if you are in your 20s and 30s. For individuals, this would be easy on the pocket. Assuming you are a 30-year-old male with no tobacco habit, you can avail a cover of `5 lakh with annual premiums ranging from Rs 5,300 upwards.

A cover of Rs 10 lakh for the same person would cost upw-ards of Rs 7,400 per annum. Note that such a coverage should be separate from your employer-provided health insurance. Such coverage is no doubt useful but may have limitations such as inadequate sum assured and the prospect of losing coverage once your employment ends.

Therefore, one must always own a retail health plan that can be selected as per one's unique needs and can be continued for a lifetime. It’s also important to get this coverage while you're young. As you get older, the premium costs rise as well as your chances of your health risks.

(The writer is Adhil Shetty.)

TOP

Source

Data theft bid hits Ayushman Bharat – The Hindu – 27th April 2019

Ayushman Bharat, the government run health insurance programme, on Saturday confirmed that there had been an attempted security breach. “There have been attempts to get illegal access to large medical data including sensitive personal information,” said Dr. Indu Bhushan, CEO Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana.

Alerted about the intrusion 48 hours ago, the National Health Authority — which administers the programme — has now written to all State Governments alerting them about the threat and warning that no sensitive data be shared.

Describing the nature of the attempted breach, Dr. Bhushan said contact had been made with Ayushman Bharat employees urging them not to leak sensitive information on the available health profiles of those covered by the scheme.

With more than 3 crore e-cards issued countrywide to individuals covered under the scheme and over 21 lakh hospital admissions, worth ₹2,820 crore, having been approved, the scheme is one of the world’s largest state-run health insurance programmes, according to the government. Health data is extremely sensitive and of great value to commercial and pharmaceutical companies.

“We have this data enveloped in multiple layers of security which is tough to penetrate,” explained Dr. Bhushan. “We also have a stringent access system for those within Ayushman Bharat and we were alerted, almost immediately, when the breach was attempted,’’ he said.

The authority is now also seeking assistance from the public to help ensure that the programme stays cybersecure and that patient data and records are not compromised in any manner.
“We are making a public appeal to please report such cases to @AyushmanNHA at the earliest for proper investigation and actions to mitigate any potential risk,’’ Dr. Bhushan said.

Ayushman Bharat has also had to combat multiple attempts to defraud individuals and companies “using our programmes as a disguise,” said an official, who spoke on condition of anonymity. “People have been offered jobs and some have even been duped saying that we charge for registration. All of this is illegal,’’ the official added.

The official said that an FIR had been registered in Delhi on Friday after some persons came to the city headquarters to deposit ₹10,000 as training fee for a job that was being offered on the programme’s behalf. “All the documents given to them were fake. Three weeks ago we busted a centre that was being run on the outskirts of the capital where people were being charged to get their names registered for accessing healthcare under our programme,’’ he added.

(The writer is Bindu Shajan Perappadan.)

TOP

Source

MOTOR INSURANCE

How India's Digital Transformation Is Impacting Its Two Wheeler Insurance Sector – Entrepreneur – 1st May 2019

The Indian digital ecosystem has undergone significant transformation in the recent past. Consumers have come a long way from merely researching products and services online to performing unassisted purchases on a regular basis.

This paradigm shift is a result of the amalgamation of several factors such as availability of smartphones with 3G/4G connection, E-commerce boom, digital wallets, infusion of capital by venture capitalists, millennial population with disposable income, pro-insurance regulations, government incentives, etc. The Indian insurance sector has also benefited from this evolution. Here's how India's digital transformation is impacting its two-wheeler insurance sector.

Two-wheelers & Insurance
Two-wheelers are convenient. They are a low-priced form of transportation in rural areas. In urban areas, they warrant for swift movement in comparison to cars. Also, they occupy less parking space. These are important reasons why India is the world's largest two-wheeler market. As per The Motor Vehicles Act, 1988, it is mandatory to ensure your bike if you want to ride legally on Indian roads. Failing to do so will result in fines and legal hassles. Apart from the compulsion, insurance is a good way to secure your finances in case of bike-related mishaps. Despite the law, the majority of two-wheelers are uninsured in India. This is a challenge as well as an opportunity.

Preference for Online
'60per cent Of Two-Wheeler Insurance Bought Online for Reviving Lapsed Policies'. This was the headline of an Economic Times article in December 2018. Digital insurance is emerging as a preferred platform for buying/renewing bike insurance policies because of its convenience and rural penetration. The low-ticket size of two-wheeler insurance is ideal for the online platform. With a rise in InsurTech companies and increase in Indian citizen's acceptance of a digital way of life, purchasing bike insurance online might soon become the norm across segments.

Phase-Wise Impact of Digitization
When insurers focus on offering policies online, there is a decrease in the number of intermediaries, sales branches, and manpower. As a result, there is an overall reduction in the operational cost. This way, policies can be offered at a lower price as compared to the offline channel. However, low-priced policies are not the only factor that encourages people to purchase policies online. Let's have a look at how digitization has affected the life cycle of a two-wheeler insurance policy sold online in India.

Pre-Purchase Phase
Prospective policyholders can now educate themselves about different types of policies by conducting a quick online search. Insurers provide information in a simple manner on their websites to ensure transparency. As there are no intermediaries involved, one can make an informed choice.

With Web Aggregators and online insurance calculators on insurers' websites, purchasing a two-wheeler policy or going for bike insurance renewal online is a cakewalk! This basic research can be conducted via a smartphone as well. There are chatbots available to offer specific information within seconds. If you feel the need for human intervention, you can contact the insurer's support team via call or email. The online platform makes the pre-purchase phase of purchasing a bike insurance policy easy, bias-free, and convenient.

Purchase Phase
Traditionally, ensuring a bike involved a lot of paperwork. The impetus was more on selling than purchasing. Policies were sold via bike dealers, agents, and branch offices. The process was and had a lot of hurdles. Online bike insurance has overcome most of the hurdles to make the purchase process user-friendly.

In the online method, there's no need for paperwork and the process can be completed within two minutes. The policies are better priced due to smart underwriting. They are low-priced without compromising the coverage offered. Going ahead, there's scope for total Usage Based Insurance (UBI) which will personalize the entire purchase process. The purchase journey is similar to popular E-commerce transactions so that the user feels at home. The policy is made available immediately once the online payment is made successfully. If there are any issues, changes can be made effortlessly via an endorsement.

Post-Purchase Phase
Settling claims is the most important aspect of an insurer. Reputations are built based on how an insurer handles the claims raised and settles them in a hassle-free manner. This is reflected in the Claim Settlement Ratio which is published annually by the Insurance Regulatory and Development Authority of India (IRDAI). Digital-first insurers are aware of their responsibility when it comes to smooth claim settlement. The post-purchase phase in case of online insurance is swift and smooth. Policyholders can raise a claim in a simplified manner.

In most cases, the policyholder just has to notify the insurer and not worry about follow-ups. The insurer hand-holds the policyholder throughout the process and ensures that the claim is settled prudently and accurately. Features such as Cashless and Instant settlements mitigate the complexities involved and aid in providing a hassle-free claim settlement experience.

Key Performance Drivers
Blockchain, Artificial Intelligence, Robotic Process Automation, Augmented Reality, Cognitive Technologies, Telematics, Machine Learning, etc. are not buzzwords anymore. They are an integral part of an Indian insurer's growth strategy. They are crucial talking points in the present and are going to be key performance drivers in the future. Technology will drive changes with respect to strategic partnerships, revamping organizational structures, creating new executive roles and fostering continuous innovation. All this will ultimately empower policyholders as they will get personalized low-prized policies, enhanced coverage, better features & benefits, more options to choose from, and overall, a satisfactory insurance experience.

(The writer is Varun Dua.)

[TOP](#)

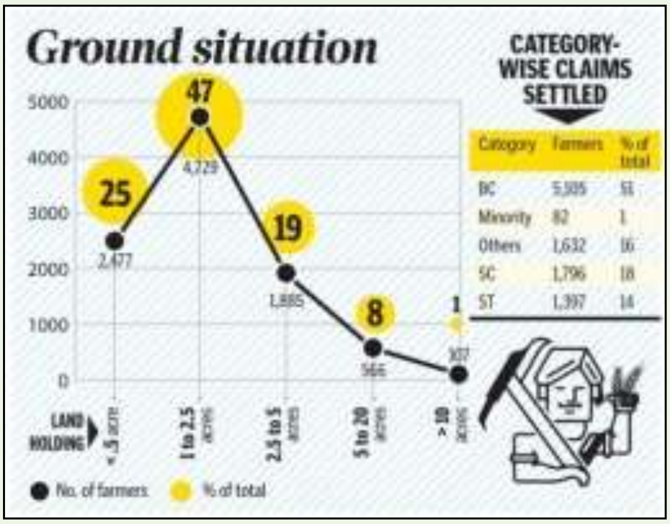
Source

CROP INSURANCE

Rythu Bhima crosses milestone - Telangana Today – 3rd May 2019

Rythu Bhima, the only one-of-a-kind life insurance scheme for farmers in the country that provides Rs 5 lakh insurance to families of farmers in Telangana, crossed a milestone. Since its introduction on August 14, 2018, Rythu Bhima has, till now, provided much-needed financial security to 10,012 families of farmers. And so far, Life Insurance Corporation of India, with which the Telangana government partnered for this pioneering scheme, disbursed Rs 500.60 crore to the beneficiary families. Principal Secretary, Agriculture, C Parthasarathi, told Telangana Today that many of the farmers who signed up for Rythu Bhima, had barely any money in their bank accounts and in most cases, the amounts did not cross double digits.

"The weak economic status of the scheme beneficiaries can be gauged from the fact that 7,206 of the 10,102 farmer families owned between .5 acres to 2.5 acres of land. The land holding of these farmers places them in the marginal farmer category indicating the deep financial crisis the families would have plunged into, but for the Rs 5 lakh in life insurance they received within 19 days of the passing away of the insured farmer," he said. "In all, more than 90 per cent of the farmers who have signed up for the scheme owned less than five acres," he said.



"The relief the scheme has provided farmers' families who lost their bread winners cannot be understood just by numbers. The human cost of the loss of a bread winner in such families can be immense. There are so many instances where beneficiary families managed to continue to send their children to school or college or pay off their debts and even start small businesses such as running a kirana (convenience) store," Parthasarathi said. Rythu Bhima has since caught the imagination of the farming community in the State and eligible farmers, who did not respond to enrolment in the scheme earlier, are now coming forward to do so. About three lakh farmers in all have enrolled in Rythu Bhima till now. One of the significant factors in the scheme's success is providing much-needed succour and support, and in time. "We entrusted the job of enrolment and the required paper work in the event of a death of the farmer to our Agriculture Extension Officers. They have been on top when it comes to reporting deaths and filing of claims, and the LIC has ensured that every claim is deposited in the nominee's account within 10 days," Parthasarathi told Telangana Today.

"It is this assured turnaround in claims that has been one of the prime motivators for those who stayed away from the scheme so far, now coming forward to join it. Those seeking to join the scheme have also seen how every one of the families that have benefited from Rythu Bhima so far, have managed to avoid potential financial disaster," he said.

One such instance was that of the family of Kolakani Sammaiah, a marginal farmer who owned 1.2 acres and grew paddy and cotton and was entirely dependent on agricultural income. A father of three girls, the youngest of whom is 12 years old, Sammaiah had fallen ill all of a sudden and had to make rounds of several hospitals, spending money which he did not have and within two months, racked up a debt of Rs 2 lakh. Despite seeking medical help from different quarters, Sammaiah passed away leaving his wife Lakshmi to face the scary prospect of clearing debts and to ensure a good future for her youngest daughter Swarupa.

This was when Rythu Bhima came to the rescue and with the LIC depositing Rs 5 lakh in her bank account — Lakshmi first cleared the debts the family incurred for Sammaiah's treatment. She then invested Rs 50,000 to dig a borewell in the family farmland and also ensured that the last rites and rituals of her husband were performed as per norms and customs. With Rs 2 lakh still left in her account, Lakshmi, according to the Pedapalli district agriculture officer P Anusha, deposited this amount in a fixed deposit with the post office for five years in her youngest daughter's name. Had Sammaiah not been covered by Rythu Bhima, Lakshmi would have had no option but to sell the only asset the family had — the 1.2 acres of agricultural land to clear debts and would have been forced to join the ranks of the destitute, according to Anusha.

(The writer is Balu Pulipaka.)

Source

TOP

PMFBY: Farmers quitting scheme but premium collection rises – NewsClick – 1st May 2019

The number of farmers enrolled in the Modi government's flagship crop insurance scheme (Pradhan Mantri Fasal Bima Yojana or PMFBY) dipped further to 343 lakh in kharif (summer) crop season of 2018-19 year, according to latest information revealed at the annual Kharif Conference organised by the Agriculture Ministry in Delhi on April 25-26. When the scheme was started in 2016, enrolment in the first kharif season was 404 lakh, which declined to 349 lakh in 2017.

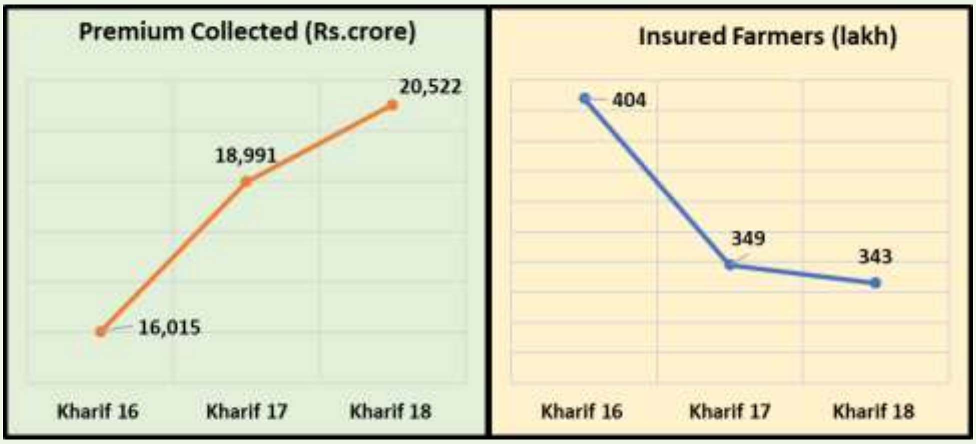
Strangely, gross premium collected by insurance companies has continued to grow from Rs. 16,015 crore in 2016 to Rs. 20,522 crore in 2018. This is because per farmer premium rate is increasing, and so is the state and central government's contribution to premium. In other words, insurance companies continue to reap enormous profits despite lower coverage. That's the business model this scheme has foisted upon the farmers.

Less farmers covered means a larger number of farmers are now completely at the mercy of the weather gods. Small wonder then, that in many states, farmers demand compensation for crop losses from the state governments, who in turn press the Centre for drought relief packages.

The data put out at the conference by PMFBY CEO Dr. Ashish Bhutani also reveals that in the past two years (2016-17 and 2017-18) of the scheme's operation, insurance companies have pocketed a surplus of Rs. 10,219 crore. They collected gross premium worth Rs.47, 447 crore, but had to admit farmers' claims worth Rs. 37,228 crore in the four crop seasons (one each of kharif and rabi, in each year).

In this period, there have been numerous reports of farmers agitating for faster claims settlement or against the meagre insurance compensation they were getting. In some states like Madya Pradesh, farmers have even gone to consumer courts with complaints of low settlements.

The scheme operated by insurance companies collecting 1.5% premium from farmers for kharif season (2% for rabi) and the balance is shared equally between the state and central governments. Then, after the harvest is finished, farmers claim for insurance compensation if they have suffered loss because of, say, deficient rainfall or other unavoidable natural events. In effect, the farmers and the governments are paying huge amounts to companies for providing the insurance.



Settling of claims is done after crop cutting experiments are carried out in affected areas by the district administration to estimate average loss per unit area. On the basis of this, insurance companies pay out the claim money.

The rather dismal performance of the scheme – which has been much lauded by the Modi government and its supporters – has added to the woes of farmers in the country who were already suffering from increasing indebtedness and falling farm incomes. After almost continuous agitation by farmers during the five-year rule of the Modi-led BJP government at the Centre, a hand-out of Rs. 6,000 per farmer was announced by the PM weeks before the general elections in a transparent move to regain support in rural India. However, the meagre amount has not been able to assuage the angry farmers.

Last year, monsoon rains were about 9% deficient on an average country-wide, but certain areas including major agricultural states like Gujarat, northern Karnataka, Bihar, West Bengal, Jharkhand and Marathwada region of Maharashtra suffered the biggest deficit in rainfall. In these regions, drought-like conditions are prevailing, and there is deep distress.

Despite that, the bad experience in earlier years has discouraged farmers from enrolling in the insurance scheme.

How the BJP and its leaders like PM Modi and various state chief ministers will explain this to farmers from whom they are seeking votes in the ongoing election campaign is difficult to imagine. Perhaps that's why, there is no mention of PMFBY in Modi's or other campaigners' speeches these days.

(The writer is Subodh Varma.)

Source

TOP

Flagship crop insurance scheme finds fewer takers in kharif 2018 - The Hindu Business Line – 28th April 2019

The number of farmers enrolled for the Pradhan Mantri Fasal Bima Yojana (PMFBY) during kharif 2018 was 3.43 crore, marginally lower than the figure in the previous season, but officials said the number may go up as a few States are yet to submit the data.

This data was presented by PMFBY CEO Ashish Bhutani during Kharif Conference 2019, organised by the agricultural ministry last week in the capital.

"This was only provisional data. Data from a few States have not yet been received. The final data is expected to exceed the coverage in kharif 2017 season," he said.

As per the data available at present, 3.43 crore farmers have brought a total area of 3.1 crore hectares under PMFBY cover by paying a premium of ₹3,076 crore. The gross premium was ₹20,522 crore, with the Centre and States sharing the balance.

Gross cropped area

Officials claimed that the gross cropped area under the insurance cover increased from 22 per cent to 30 per cent since the inception of the scheme four years ago. Prime Minister Narendra Modi, however, wanted to bring 50 per cent of gross cropped area in the country under crop insurance.

Dismal performance

The performance of PMFBY was dismal in kharif 2017 itself. As against 4.04 crore farmers enrolled in kharif 2016, the numbers dropped by 14 per cent to 3.49 crore in the 2017 kharif season.

The officials, however, argued that the numbers came down mainly because of two reasons. Firstly, de-duplication based on Aadhaar removed many multiple beneficiaries and secondly, loan waivers announced by many States adversely affected the enrolment.

TOP

Source

INSURANCE CASES

Gujarat: State consumer forum relies on PM report, asks insurance firm to pay Rs 1 lakh – DNA - 29th April 2019

The state consumer forum has upheld a Junagadh district forum's order directing an insurance company to pay the wife of a labourer Rs 1 lakh by way of insurance money due to her.

The National Insurance Company Ltd had rejected the life insurance claim of Jaya Garsaniya after her husband's death. The company had rejected the claim on the grounds that the petitioner's husband had consumed poison and it could not be said if it was suicide or an accidental death.

The company, which was ordered to pay the money by the district forum, appealed against it in the state consumer forum.

Garsaniya's husband, who worked as a labourer was covered under an insurance policy that entitled his nominees to get Rs 1 lakh in case of his death. The labour officer, who had also been made party in the case had said that they had nothing to do with the case as they had forwarded all the relevant documents to the company.

The company had argued that Garsaniya's husband had consumed poison and so it could not be said that it was an accident or a suicide. Moreover, under the terms of the policy no insurance payout was due in case of suicide. It further said that the District Magistrate's report had also said that Garsaniya's death was a suicide.

The state forum in its order said that while the District Magistrate's order called the death a suicide, the post mortem report of the deceased said that he died due to starvation. It also sighted an earlier order of the National Consumer Forum which had in a case had said that death due to cold should be treated as an accidental death. It also said that all unexpected deaths expect natural deaths had to be treated as accidental death.

The state forum further said that in this case since the post mortem said the death was due to starvation, it cannot be called as a natural death and said the district forum was correct in categorising the death as an accidental death.

It thus upheld the district forums' order asking the company to pay Rs 1 lakh in insurance at 8 per cent interest. It also asked the firm to pay Rs 2,000 by way of legal expenses for the woman and Rs 5,000 as expense towards the appeal.

THE RULING

- The State forum further said that postmortem report says death was caused due to starvation; it cannot be called natural death. It is an accidental death
- It thus upheld the district forum’s order asking the company to pay Rs 1 lakh in insurance at 8 per cent interest
- The National insurance Company Ltd had rejected the life insurance claim of Jaya Garsaniya after her husband’s death

(The writer is Smitha R.)

Source

TOP

Chandigarh: Not settling medical claims of 77-year-old to cost insurance firm – The Times of India – 27th April 2019

A district consumer disputes redressal forum has directed an an insurance company, United India Insurance, to pay Rs 25,000 as compensation to a resident of Sector 37, Chandigarh, for not settling claims as per the terms and conditions of his insurance policy.

In his petition, the 77-year-old complainant, Rajinder Kumar Malhotra, told the forum that he took an overseas medical policy from the company on October 15, 2015, which was valid from October 19, 2015 to March 6, 2016 and paid Rs 26,910 as premium.

He left for Australia on October 19, 2015. After 10 days, he fell ill, following which he visited a doctor on November 2, 2015, who recommended him some tests.

After seeing his test reports, the doctor advised him to get admitted to a hospital as sodium level in his blood was too low. The complainant said that he was admitted there for three days and two nights and had to go for more tests, an x-ray and an ECG. He was discharged from the hospital on November 5, 2015.

He told forum that Rs 3.07 lakh was spent on his treatment. Subsequently, he filed a complaint before a forum, which was disposed on May 17, 2017 with directions to the company to settle the claim within one month from order date.

He stated that the company released the claim of Rs 3.05 lakh on July 28, 2017 without interest. It added that he was entitled to the interest to the tune of Rs 1.79 lakh from November 03, 2015 to April 12, 2018.

In its reply, the company stated that the claim was settled and an amount of Rs 3.05 lakh was reimbursed after deducting of $100 from full and final settlement. The only grouse of the complainant was that no interest was paid.

After hearing both sides, the forum held that the ends of justice would be met if the complainant was awarded a compensation of Rs 25,000 on the account of delay in settlement of the claim, mental agony, and litigation expenses. The forum, however, turned down the plea of interest.

(The writer is Kamini Mehta.)

Source

TOP

PENSION

EPFO to challenge order on higher pension outgo – Mint – 1st May 2019

The Employees Provident Fund Organisation (EPFO) plans to move the Supreme Court to review a high court order that allowed workers to draw pension on a wage above the current salary ceiling of ₹15,000 per month.

The current monthly contribution toward employees pension scheme (EPS) is limited and is not adequate to pay a higher pension, according to the retirement fund body. Any binding order on it will make the organisation financially unviable, two government officials said requesting anonymity.

"We are readying for a review petition. Pension contribution by EPFO subscribers is based on a ₹15,000 salary ceiling. If pension outgo is calculated on the total salary above the ₹15,000 threshold, it will be tough to maintain. It will be a negative cash flow and we may fall short of several thousand crores every year," said one of the two officials mentioned above.

At present, every month an organized sector employee pays 12% of his basic salary as mandatory EPF contribution and a matching amount is contributed by the employer. Of the employer's contribution, 8.33% goes towards pension contribution and the rest 3.67% to the provident fund corpus.

EPFO plans to move the apex court though the top court dismissed a special leave petition (SLP) filed by it last month against a Kerala high court order on higher pension outgo. There are three key factors hindering the EPFO from making a higher pension payout, said the other official mentioned above. First, there is no rule about collecting a higher pension contribution.

Second, a lower contribution for decades by an employee makes it untenable to get a higher pension. Third, the differential pension contribution (more by well paid subscribers based on actual salary and less by low income workers based on a ₹15,000 salary threshold) needs a different accounting system that is not in practice at EPFO right now.

"The government needs to subsidise a higher pension. Financially, EPFO is not equipped to pay that," the second official said. A fund crunch has already prompted the EPFO to shelve a plan to double the minimum pension from ₹1,000 per month to ₹2,000 per month, the official said.

This was despite an internal panel of the retirement fund manager recommending an increase in the pension for EPFO subscribers.

EPFO does not have enough surpluses to double the pension on its own and needs financial support to implement the scheme, which will benefit people getting a pension of less than ₹1,000, *Mint* reported on 28 March. After announcing an 8.65% interest rate for its 60 million subscribers in February for 2018-19, the surplus with the retirement fund body was around ₹150 crore, a three-year low.

The Kerala high court had in October last year observed that while some workers have made more contribution voluntarily towards EPFO, there pension calculation was on the ₹15,000 salary ceiling, which was not fair on workers post their retirement.

The judgement led to a debate on how a significant number of EPFO subscribers may demand pension on their actual salary and not based on the salary ceiling which is the yardstick for PF contribution. EPFO gets an EPS contribution of around ₹36,000 crore per annum.

(The writer is Prashant K. Nanda.)

Source

TOP

EPF, PPF among assets that enjoy legal protection from court attachment – Mint – 1st May 2019

How often do you wonder that the assets you have accumulated can easily slip away from your hands in the event of an emergency? Your lender can stake a claim to your assets to recover dues in case you find yourself in a financial logjam. For instance, if you default on a loan, the bank can stake a claim to your assets such as land, shares and mutual funds and use them to satisfy the debt. The bank does this through an attachment order by the court.

An attachment is a freezing order. Once an asset is attached, you cannot use it or sell it and this can deprive you of income support as you can't liquidate these assets. To save investors from this, Parliament has placed various financial assets under special legal protection. These assets cannot be attached by any court in India. We tell you what these are.

EPF
Your Employees' Provident Fund (EPF) and Employees' Pension Scheme (EPS) balances are protected under Section 10 of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The EPF balance is accumulated through employer and employee contributions for employees working in the organized sector—12% of your basic salary and dearness allowance is deducted towards EPF. It is considered an important element of social security and, hence, is given special legal protection.

Also, EPF provisions allows you to make withdrawals to tide over certain kind of emergencies.

PPF
Your Public Provident Fund (PPF) balance is protected under Section 14A of the Government Savings Banks Act, 1873. PPF is open to all Indian residents, whether in the organized or unorganized sector. You can make annual contributions ranging from ₹500 to ₹1.5 lakh.

Currently, PPF earns an interest of 8% and given its tax-friendly structure, it's one of the highly recommended products for long-term debt allocation. Given its long-term nature, it can also be used for saving for retirement and, therefore, the legal protection it enjoys helps.

NPS
Your NPS (National Pension System) balance is protected under Section 6(a) of the Pension Fund Regulatory Authority of India (Exits and Withdrawals) Rules, 2015, except 25% of the accumulated balance. NPS, which is a retirement savings vehicle regulated by the Pension Fund Regulatory and Development Authority, is considered an important part of old-age security and, hence, is accorded immunity from attachment.

Insurance policy
A life insurance policy on your own life is protected from attachment under Section 60 of the Code of Civil Procedure, 1908. In addition, a life insurance policy taken under Section 6(1) of the Married Women's Property Act, 1874, enjoys a second layer of protection. Such a policy has your wife or children as beneficiaries and is legally considered their property. Unless creditors can prove that such a policy was taken with the intent to defraud creditors, such a policy cannot be attached.
The writer is Neil Borate.

Source

TOP

Good news: Govt ratifies 8.65 per cent interest on EPF for 2018-19 – Financial Express – 27th April 2019

The finance ministry has approved 8.65% rate of interest on Employees' Provident Fund (EPF) for 2018-19 as decided by retirement fund body EPFO, benefitting more than 6 crore formal sector workers. "The Department of Financial Services (DFS), a wing of the finance ministry, has given its concurrence to the Employees Provident Fund Organisation's (EPFO) decision to provide 8.65% rate of interest for 2018-19 to its subscribers," a source privy to the development said.

"The DFS has approved the proposal subject to fulfilment of certain conditions related to efficient management of the retirement fund," the source said. In February, the EPFO's apex decision making body, Central Board of Trustees, headed by labour minister Santosh Gangwar, had decided to raise the interest rate on the EPF to 8.65% for 2018-19, which was the first increase in the last three years.

The interest rate on EPF was hiked to 8.65% for the last fiscal from 8.55% provided in 2017-18. After the finance ministry's concurrence, the income tax department and the labour ministry would notify the rate of interest for 2018-19. Thereafter, the EPFO would give directions to its over 120 field offices to credit the rate of interest into subscribers' account and settle their claims accordingly.

According to EPFO estimates, there would be a surplus of `151.67 crore after providing 8.65% rate of interest for 2018-19. There would have been a deficit of `158 crore on providing 8.7% interest in EPF for the last fiscal. The EPFO had provided a five-year-low interest rate of 8.55% to its subscribers for 2017-18.

TOP

Source

NPS beyond 60! Should a senior citizen invest in NPS? – Financial Express – 2nd May 2019

National Pension System (NPS) is a market-linked deferred pension plan aimed to save money for one's retirement. Anyone between 18 and 60 years can open an NPS account and start saving till retirement. However, the Pension Fund Regulatory and Development Authority (PFRDA) had some time back increased the maximum age of joining under NPS – Private Sector, i.e. under the All Citizen and Corporate Model from the existing 60 years to 65 years of age. It means anyone between 60 and 65 can now join NPS and continue till age 70. But, does it help for someone above age 60 to make use of NPS for retirement? Is NPS for a senior citizen or a retired taxpayer fruitful? Let us explore:

NPS beyond 60
For those joining after 60, the investments options and the pension fund manager etc remains the same. The normal exit will be after 3 years when the subscriber is allowed to withdraw a maximum of 60 per cent of the corpus while the balance 40 per cent will have to be compulsorily annuatized. It means the subscriber has to purchase pension or annuity from any of the life insurance companies using 40 per cent of the NPS corpus. In case, one decides to exit before completion of three years, only 20 per cent can be withdrawn while pension will be paid on the balance 80 per cent of the corpus.

Advantage Tax
When it comes to saving taxes, no other tax saving investment is as equipped as NPS. The contribution made in NPS not only qualifies for deduction under Section 80 CCD (1) up to a limit of Rs 1.5 lakh per a financial year but also it comes with additional tax benefit under section 80CCD(1B) up to Rs 50,000 a financial year.

The additional tax benefit under section 80CCD(1B) is the sweetener and several taxpayers go for it to further reduce the tax burden. This also stands to the advantage of the retired taxpayer or those working individuals above the age of 60.

Advantage Annuity Rates
For those joining NPS after the age of 60, the advantage is in terms of better annuity rates as compared to younger individuals. The annuity rates for someone age 65 is better than annuity rates for someone age 45.

Downsides

NPS is a market-linked product with contributions exposed to equities and debt needs time to perform. Saving tax should not be the sole objective to invest in any tax saving investment. "I don't think someone should open an NPS after 60 years of age. It is only in very rare cases that someone may be working beyond this age. If someone has 70 as retirement age, which is very rare, then it may make sense as there are ten years more from 60 for the person to invest and start getting the pension," says Dr. Joseph Thomas, Head Research- Emkay Wealth Management.

NPS works better over the longer duration as equities have shown to outperform other asset classes over the long term.

Also, in NPS allocation to equities in more at a young age and then it tapers off as one age. The maximum allocation to equities in NPS is 75 per cent (up to age 50) and comes down at higher ages. "Retirement corpus accumulation through NPS is not as good as in early stages of life. There is no benefit of locking the money at this stage of life (post 60 years of age) as post-retirement income pay-out terms are not very flexible and tax efficient," informs Milin Shah, Head, Product Development & Planning at HappynessFactory.in. Remember, annuity received is entirely taxable in the hands of the investor as per one's tax slab, in the year of receipt.

Anyone joining NPS after age 60 should be clear on three things – One, till what age will he or she be contributing regularly in NPS? For a longer period, it helps else money gets locked-in with limited use. Secondly, opting for debt funds, both corporate and government securities with a speck of equity should help. But again, the holding period should be long for optimum results. Even debt can be volatile over short to medium term sometimes. Finally, do not treat NPS merely as a tax saving tool. "Post 50, it is better to keep money liquid and prefer investing in a diversified balanced fund, rather than locking money in NPS," says Shah.

(The writer is Sunil Dhawan.)

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GLOBAL NEWS

China: Regulator plans to open up insurance and banking sectors further – Asia Insurance Review

China plans to execute a number of new measures to open up its financial markets further in a bid to boost the sector's management and competitiveness, according to the China Banking and Insurance Regulatory Commission (CBIRC). In an interview with state press agency Xinhua, CBIRC chairman Guo Shuqing said that a total of 12 new rules will be released soon after a detailed evaluation and research is conducted. He also said that Chinese financial authorities will speed up the development of related laws and regulations to facilitate the execution of these measures.

For the insurance sector, these new measures will permit foreign-funded insurers to invest in or set up insurance agencies in China as well as allow overseas financial institutions to hold stakes in foreign-funded insurance companies operating in China.

At the same time, the banking industry is also set to benefit from the new rules with the removal of the upper shareholding limits for a single Chinese-funded bank and a single foreign-funded bank in a Chinese commercial bank. The asset requirement for foreign banks to set up foreign-funded banks or branches and foreign financial institutions to hold stakes in trust firms will also be removed.

Overall, the new rules seek to encourage overseas financial institutions to engage in equity, business and technological cooperation with banking and insurance institutions controlled by private capital. Both Chinese and foreign-funded financial institutions will be able to leverage extended entry policies when investing in or setting up financial firms.

The shares of foreign-funded banks and insurance companies' total assets stand at 1.64% and 6.36% respectively in China.

"Further opening up the banking and insurance sectors is not only essential for the development of Chinese economy and finance but also is conducive to enriching market entities and stimulate market vitality," said Mr Guo. He also said that the efforts related to the opening up of the financial sector have received a positive market response.

The CBIRC was established in April 2018 after China's banking and insurance regulators, namely the China Banking Regulatory Commission and China Insurance Regulatory Commission merged.

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Malaysia: Global insurer sets up Retakaful window – Asia Insurance Review

The Labuan branch of Allied World has established a retakaful window which will cater to both consumer and commercial general retakaful prospects. The window spans across property, casualty, professional lines, healthcare liability, marine cargo, construction and engineering as well as group personal accident.

Headquartered in Switzerland, Allied World is a global provider of insurance and reinsurance solutions with offices across the Americas, Europe and Asia. In many markets such as Malaysia, takaful has grown faster than conventional insurance and Allied World is keen to "support this fast growing segment of the Malaysian market."

The global assets of takaful operators reached $46bn in 2017 and are expected to total $72bn by 2023. Globally, there are 324 Islamic insurance entities including takaful firms, retakaful operators and takaful windows.

At present, at least 45 countries have developed specific regulations on Islamic finance designed to promote its development.

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Korea: IFRS17 may contribute to declining profits for foreign life insurers – Asia Insurance Review

The upcoming IFRS17 coupled with the ongoing economic slowdown in Korea has led to declining earnings for foreign life insurers operating in 2018, according to a report in The Korea Times. The combined net profit of Korea's six major foreign life insurers plunged by 34% to KRW782.9bn ($0.67bn) last year from KRW1.19bn in 2017. This contrasts with the 20% growth in net profit for Korean life insurers. Last year, equity-linked life insurance also performed poorly due to the bear market.

In anticipation of IFRS17, the new set of global accounting standards set to be implemented in 2022, life insurers have been scaling back the sale of savings-based insurance. IFRS17 will consider savings insurance products as liabilities because insurers are required to pay back a stipulated amount with the expiry of contracts.

To counter the drastic changes imposed by IFRS17, life insurers are instead looking to offer more protection insurance products. However, the premiums for such insurance is much lower than the premiums for savings insurance which partially contributes to the falling profits of foreign life insurers.

In fact, premium income from protective insurance rose by 2.1% last year in comparison to the 13.5% decrease in premium income for savings insurance. This has driven increased competition in the insurance sector as domestic insurers are also switching to offer more protective insurance products before the IFRS17 is implemented.

The six major foreign life insurers in Korea include Lina, Prudential, ABL, MetLife, Tongyang and AIA. While Lina Life Korea was the only insurer in the group to see its net profit rise, AIA Korea and Tongyang Life Insurance's net profits decreased by around 70%.

Lina attributed its 15% increase in net profit to a rise in its asset management division's profit and accumulation of insurance premium revenue. Meanwhile, AIA blamed its 76.2% drop in profit to taxes paid last year after the insurer became a full subsidiary whereas before it had operated as a branch.

Tongyang Life, which experienced the second-largest dip in profit, acknowledged that an increase in protective insurance contracts and fall in investment-based profits led to an overall decrease of 72.2% in profit.

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Insurance covers only 16% of $1bn in potential losses for intangible assets: Study - Asia Insurance Review

A global study from Aon and the Ponemon Institute revealed that organisations lacked significant insurance coverage for their intangible assets including cyber liability as well as intellectual property such as patents, trade secrets, copyrights, proprietary information and know-how.

While certain intangible assets only had 16% insurance coverage, traditional tangible assets like property, plant and equipment (PP&E) were found to have 60% insurance coverage. Surprisingly, this difference in coverage contrasted with the intangible assets incurring an average potential loss of $1.08bn and PP&E incurring losses of $795m.

Called the '2019 Intangible Assets Financial Statement Impact Comparison Report', the study has been conducted yearly since 2015 and surveyed 2,348 respondents from North America, Europe, the Middle East, Africa, Asia Pacific, Japan and Latin America. Respondents are those who were most involved in their organisation's intellectual property, cyber risk management and/or enterprise risk management activities. A major hypothesis of this year's study was the comparison of insurance coverage for traditional tangible assets (PP&E) to the coverage of intangible assets.

"One of our major findings is that threats to a company's intangible assets are not in proper balance with that company's insurance protection. Understanding how to properly value, exploit and insure intangible assets is exponentially heightened in the digital era. Intangible assets are a board of director level issue," said Aon's IP Solutions global head and CEO Lewis Lee.

Even though respondents valued intangible assets only slightly higher than PP&E at $1.15bn and $1.03bn respectively, the 2019 study found that the average potential loss if intangible assets are stolen or destroyed was 36% more than if PP&E is damaged or destroyed. However, the 2019 study also revealed an increase of 33% in the protection of potential loss of information assets versus an increase of only 9% for PP&E between 2015 and 2019.

This demonstrates that organisations have begun to recognise the value of intangible assets as well as the significant risks surrounding the loss of those assets. At the same time, organisations are seen to be working to increase the protection of intangible assets.

Mr Lee also said, "While few companies have trade secret theft insurance policies or patent liability policies, organisations are better equipped to make informed decisions regarding strategy, valuation and risk transfer with respect to IP and other intangible assets by better understanding intangible versus tangible asset coverage."

The study also revealed noteworthy findings such as:

- 44% of respondents said their company would disclose a material loss to PP&E or information assets that is not covered by insurance as a footnote disclosure in the financial statement.
- As a complement to a cyber risk policy, few companies have a trade secret theft insurance policy and/or a patent infringement liability policy.
- Only 24% of respondents say they have a trade secret theft insurance policy and 30% of respondents have an intellectual property liability policy. However, there is significant interest in purchasing such policies.

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China: Foreign insurers set sights to fill local pension gap - Asia Insurance Review

With China's elderly population ageing rapidly, the pension deficit gap is expected to expand further even though the country's pension penetration rate remains very low. According to the China Pension Actuarial Report 2019-2050 from the Chinese Academy of Social Sciences (CASS) think tank, China's pension deficit gap is estimated to be CNY600bn ($89.1bn) by 2018 and is expected to rise to CNY890bn by 2020. However, this bring opportunities for insurers to fill the gap - as reported by China Times.

According to the local publication, foreign insurers are looking to enter the Chinese private pension market as they are more experienced in the management of pension assets. While UK-headquartered Prudential is in preliminary negotiations with the relevant Chinese departments to enter the private pension sector in China, AIA and Manulife are said to be considering their decision regarding entry.

CASS's report also revealed that China's basic pension system might deplete by 2035 as cumulative savings in the basic pension fund that covers urban employees will peak at about CNY7tn in 2027 before dropping sharply. This could mean that the pension fund would be out of money before many of those born in the 1980s reach retirement age.

Currently, China's retirement age is 60 for men, 55 for female white-collar workers and 50 for female blue-collar employees. The authorities are considering raising the retirement age.

Net outflows from the fund would have begun this year instead of 2028 without fiscal subsidies, according to the report. In 2019, one pensioner is supported by approximately two pension payers, while in 2050 only one payer would be able to support one pensioner.

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China: Reinsurer reports a spike in profits in first-quarter 2019 – Asia Insurance Review

China Re has reported a consolidated net profit of CNY1.293bn ($183m) in Q1 2019 marking a 17.15% rise from the previous year, according to a company announcement. For the year ended 31 December 2018, China Re's net profits had plunged by 27% to CNY3.9bn due to factors including lower investment gains.

For the first quarter of this year, the reinsurer also saw an income of CNY41.11bn through its affiliated companies, Zhongli Property Insurance, China Re Life Insurance and China Dadi Insurance. Financial statements released by the reinsurer have disclosed that over 90% of China Re's revenue are derived from its operations in mainland China.

As China's insurance industry undergoes rapid changes which are reshaping the ecosystem and intensifying market competition, China Re Group has decided to focus on platform operation, technology advancement and globalisation as well as facilitating the implementation of its 'One-Three-Five' strategy. China Re's 'One-Three-Five' strategy, which was launched in 2018, is said to have contributed to the reinsurer's rapid growth in premium income, optimisation of business structure, improvement of market position as well as progress in reform and development.

Earlier this month, China Re completed the acquisition of a Chaucer-related company in Australia, SLE Holdings on 11 April after receiving regulatory approvals. China Re and The Hanover Insurance Group entered into a sale and purchase agreement on 13 September last year whereby China Re conditionally agreed to purchase 100% equity interest of Chaucer, at a consideration of $865m.

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Asia-Pacific risk managers fear reputational damage most: Survey – Asia Insurance Review

Risk managers in Asia-Pacific consider reputational damage to be the biggest risk, according to findings from Aon's 2019 Global Risk Management Survey. This is possibly influenced by several major events in the region, including sanction violations and criminal charges against global brands and officers. Other major risks facing risk managers in the region were increasing competition and business interruption.

In Asia-Pacific, the top 10 risks were:

- damage to reputation / brand
- increasing competition
- business interruption
- economic slowdown / slow recovery
- accelerated rates of change in market
- cash flow / liquidity risk
- cyber attacks / data breach
- failure to innovate / meet customer
- regulatory / legislative changes
- failure to attract or retain top talent

Even though each region carries its own particular set of risks, the ripple effects of events in one region can quickly impact another in an increasingly connected global economy.

On a global level, economic slowdown was cited as the number one risk followed by the risk of damage to reputation/brand as per the survey. At the same time, risk managers are reporting their lowest level of risk readiness in 12 years since many of the top risks, such as economic slowdown and increasing competition are uninsurable. As a result, risk managers are driven to embrace risk management as opposed to risk transfer in order to mitigate these threats and protect their organisations from potential volatility.

"Companies of all sizes are struggling to prioritise their risk management efforts amid so much change and uncertainty. What was once a tried-and-true strategy for risk mitigation – using the past to predict the future – is now a challenge and coupled with a more competitive global economy, it is causing an all-time low level of risk readiness," said Aon Global Risk Consulting CEO Rory Moloney.

For their biennial Global Risk Management Survey, Aon surveyed thousands of risk managers across 60 countries and 33 industries to identify major risks and challenges their organisations are facing. Participant profiles in Aon's survey encompassed small, medium and large organisations, including respondents from privately-owned companies, public organisations, and government and not-for-profit entities.

Responses for the 2019 survey was received in the fall of 2018, during a time of stock market declines, trade policy disputes, aggressive regulatory actions, massive recalls, devastating natural disasters, significant cyber-attacks and corporate scandals.

These broader macro-economic risks, combined with the speed of technology change, are contributing to a growing prominence of new threats that can disrupt supply chains and overall business operations. As a result, the survey sees new entrants to the top 15 risks list such as accelerated rates of change in market factors and disruptive technologies.

In fact, disruptive technologies was revealed to be a growing concern for survey respondents, rising from a ranking of 20 in 2017 to 14 in 2019 globally. This trend is cited as a top-10 risk for 50% of all industry sectors.

Source

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China: Major life insurer's profits rise by 93% in Q1 – Asia Insurance Review

Last week, China Life Insurance reported its net profits having risen 92.6% year-on-year during the first quarter of 2019, according to the state press agency Xinhua. The statement filed with the Shanghai Stock Exchange revealed the insurer's net profits to be CNY26.03bn ($3.88bn) which was attributed to rising incomes from its investments in the Chinese 'bull market'. At the same time, China Life's premium income increased by 11.9% year-on-year to CNY272.4bn. Shares in the company closed 0.71% lower at CNY29.49 on 25 April.

Established in June 2003, China Life Insurance was formerly the domestic life insurance arm of People's Insurance Company of China and is said to have the largest market share in China. The insurer is listed on the HKEX, SHEX and NYSE making it the first Chinese insurer to be triple-listed in the three markets.

As of 31 December 2018, China Life reported total revenues of CNY627.4bn and gross written premiums of CNY535.8bn. The insurer was assigned an 'A1' IFS rating with a 'stable' outlook from Moody's; 'A+' IFS rating with a 'stable' outlook from Fitch Ratings; and 'A+' long-term insurer financial strength and issuer credit ratings with a 'stable' outlook from Standard & Poor's.

In December, China's insurance regulator noted that the sector had demonstrated a stronger capacity to forestall risks as its overall leverage has gradually dropped and business structure improved.

However, Fitch Ratings expects the rate of premium growth to slow down from the pace recorded in 2015-2017 as Chinese life insurers continue to restructure their product mix by shifting from short-term savings-type products to regular-premium protection products favoured by the regulator.

Fitch expects the capital positions of life insurers to remain moderate, amid rising capital requirements as well as domestic interest rates which are steady and remain low.

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